

Cumbria County Council

Unaudited Statement of Accounts

2010/11

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SECTION 1 - EXPLANATORY FOREWORD

1. INTRODUCTION

- 1.1. The purpose of this Statement of Accounts is to present the Council's financial performance for the year 2010/11 and the overall financial position of the Council as at 31st March 2011. This foreword provides a general guide to the main aspects of the Statement of Accounts and summarises key aspects of the financial performance of the Council.

2. THE STATEMENTS

- 2.1 This is the first year that Local Authorities have been required to prepare their Accounts on the basis of full adoption of International Financial Reporting Standards (IFRS). The 2010/11 Code of Practice on Local Authority Accounting is the first Code to be based on IFRS and as a result, the Accounts for 2010/11 differ significantly from those presented in previous years.
- 2.2 In accordance with the Code, the following financial statements are included in the Statement of Accounts (the Council's financial statements are set out in Section 3) :-

- **Comprehensive Income and Expenditure Statement.** This shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Councils raise taxation to cover expenditure in accordance with statutory regulations and this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.
- **Movement in Reserves Statement.** This identifies the movement in the year on the different reserves held by the Council, analysed into "usable reserves" (i.e. cash backed reserves which can be used to fund expenditure or reduce local taxation) and other "unusable" reserves (i.e. not cash backed). The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund for council tax setting purposes.
- **Balance Sheet.** This shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council.
- **Cash Flow Statement.** This shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and

cash equivalents by classifying cash flows as operating, investing and financing activities.

- 2.3 In addition, the Statement of Accounts include the Accounting Policies of the Council set out in Section 4, specific notes and other explanatory information are set out in Section 5. The Group Accounts which set out the accounts of the Council and its subsidiary and associated companies are contained in Section 6. Accounts in respect of the **Cumbria Local Government Pension Scheme** and the **Fire Fighters' Pension Scheme** which the County Council administer are contained in Section 7. A glossary of terms is provided to assist the reader to understand key words and financial terminology is set out in Section 9. The Annual Governance Statement which describes the arrangements by which the County Council conducts its business was approved by the Audit and Assurance Committee at its meeting on 17th June 2011 and it accompanies the Statement of Accounts.

3. REVIEW OF 2010/11

- 3.1 This section provides a comparison of actual expenditure for the year with that budgeted. This provides an indication of financial stewardship (ie. how well the Council has managed the resources it allocated to services).

Revenue Budget

- 3.2 The Council agreed the Budget 2010/11 at the Council meeting in February 2010. Revenue expenditure and income relate to those items which are consumed within the year. The Council agreed a net revenue budget requirement for 2010/11 of £386.081m (£337.864m in 2009/10), a net increase of £48.217m on the previous year. However £25.214m of this increase related to the change in accounting treatment in the Area Based Grant between 2009/10 and 2010/11, which moved the grant from a service specific grant to general grant available to the Council. Therefore, for comparative purposes, the budget increased by £23.003m (6.3%). The increase in Council Tax was set at 1.9%.
- 3.3 In the light of the serious flooding which affected Cumbria in November 2009 and the subsequent extreme winter weather, some £12m was agreed in financial support for flood related expenditure. £6m of this funding was possible in the light of progress made to settle the equal pay claims. Other areas of the budget which benefited from increases in resources included domestic violence, limiting the increases in home and day care charges, Building Schools for the Future programme, the academies programme, ICT licensing costs, support to learning and disabilities reflecting demographic growth and support for the cultural Olympiad.
- 3.4 The Council continued to develop its 'Better' Programme to generate improved value for money and service provision across a range of services. Significant savings were built into the Medium Term Financial

Plan (MFTP) in relation to better management of highways works, better utilisation of office and administrative buildings, review of transport related activities, improvements in carbon efficiency and support services for adult care services.

- 3.5 2010/11 was a challenging year for the Council. Central Government grant funding to Local Government was reduced in June 2010 as part of the government's economic strategy to reduce the national debt. The Council's revenue grant funding in 2010/11 was reduced by £3.678m part way through the year.
- 3.6 The Council sought to manage this reduction in resources together with number of service related pressures and at 31st March 2011 recorded an underspend of £2.993m against the budget for monitoring purposes. Table 1 shows the net revenue position at the year end confirmed at the Council meeting 23rd June 2011 following Cabinet's consideration of the provisional outturn on 26th May 2011.

Table 1 – Revenue Outturn 2010/11

ORIGINAL BUDGET £000	FINAL BUDGET £000	PROVISIONAL OUTTURN £000	VARIATION FROM BUDGET £000	VARIATION FROM BUDGET %
Directorate				
86,174 Children's Services	87,414	88,406	992	1.1%
143,705 Adults and Local Services	145,423	144,007	(1,416)	(1.0%)
57,055 Environment	55,392	57,919	2,527	4.6%
26,161 Safer Stronger Communities	26,568	26,006	(562)	(2.1%)
22,175 Local Committees	23,637	23,637	0	0.0%
4,883 Chief Executive	4,946	4,826	(120)	(2.4%)
12,628 Organisational Development	13,636	14,054	418	3.1%
13,547 Resources	14,101	13,926	(175)	(1.2%)
5,216 Other Items Charged Corporately	3,336	1,785	(1,551)	(46.5%)
371,544 Total Service Expenditure	374,453	374,566	113	0.0%
11,765 Other items	16,734	13,628	(3,106)	(18.6%)
383,309 Total Net Expenditure	391,187	388,194	(2,993)	(0.8%)
1,824 Transfer to/ (from) general reserves	1,824	4,817	2,993	
948 Transfer to/(from) earmarked reserves	(5,662)	(5,662)	0	
386,081 Net Budget Requirement	387,349	387,349	0	
Sources of Finance				
144,505 Formula Grant	144,505	144,505		
0 PFI Grant	4,062	4,062		
36,645 Area Based Grant	33,851	33,851		
204,931 Income from Council Tax	204,931	204,931		
386,081	387,349	387,349		

- 3.7 The key variances against budget for the Directorates were reported to Cabinet and Council. In summary, the principal pressures recorded during the year were in respect of looked after children (complex and additional needs) of £3.241m and highways maintenance as a result of the severe winter weather of £2.609m.

3.8 Principal underspendings by Directorate, in addition to the careful management of staffing vacancies which provided underspendings across all Directorates were as follows:-

- Utilising internal balances to offset borrowing requirements in the short term resulted in an underspend of £3.217m and additional dividend income received from Cumbria Waste Management of £1.000m (other items budget).
- Careful management of the corporate contingency budget, mindful of the prevailing economic situation, resulted in an uncommitted balance of £1.527m at the year end (other items charged corporately budget).
- Releasing an earmarked reserve not required for Supporting People resulted in an underspend of £1.480m (Adults and Local Services).
- Negotiated savings from contracts within Youth Services of resulted in an underspend of £0.539m and reduced spending from out of county placements resulted in an underspend of £0.745m (Children's Services).

3.9 The net underspend of £2.993m has been transferred to the General Fund (usable revenue reserves) and with the budgeted transfer to the General Fund of £1.824m, this resulted in an overall increase in General Fund Balance of £4.817m for the financial year 2010/11. This compares to the decrease in General Fund balances for the year 2009/10 of £2.240m. This is summarised in the Movement in Reserves Statement on page 16, and the General Fund balance at 31st March is £14.867m, compared to £10.050m at 31st March 2010.

3.10 There was a net use of earmarked reserves of £5.662m to support the Council's activity as reflected Table 1 during 2010/11. The transfers in and out of earmarked reserves are set out in Note 8. The largest transfer from (drawdown) on earmarked reserves related to use of the Equal Pay and Modernisation reserve of £8.689m to fund the following three items (i) £7.023m in respect of voluntary redundancies announced as part of the Council's budget strategy in Feb 2011; (ii) £1.377m to fund the work of the Equal Pay team and (iii) £0.289m to fund the nationally agreed settlement of the retained firefighters' equal pay claim.

3.11 Total Revenue Earmarked Reserves at 31st March 2011 were £63.771m (£57.185m in 2009/10) which is a net increase of £6.586m and is set out in Note 8. Therefore there was a net increase in all earmarked revenue reserves of £12.248m during the year. This net increase is in large part a result of the changes in the accounting treatment under IFRS in respect of unspent revenue grant income without conditions received during the year which must now be shown as earmarked reserves. The Revenue Grants reserve is a new reserve required to comply with IFRS and the balance at 31st March 2011 is £19.613m. The majority of this balance at 31st March 2011, relates to the Performance Reward Grant to be spent in conjunction with partners in 2011/12 of £4.699m and the balance of Public Finance Initiative (PFI) grant received in the year (2010/11) of £7.820m and £6.487m

brought forward from 2009/10, to support the Carlisle Northern Development Route.

- 3.12 Balances held by Schools, which represent unspent monies delegated to school governing bodies to manage totalled £1.727m (£2.744m at 31st March 2010), which represents a net reduction in reserves of £1.017m. Action has been taken during the year in relation to schools deficit recovery planning. The Schools' Forum has implemented new policies in relation to the approval processes for schools with excessive surpluses and excess deficits. Schools with excess deficits are now expected to deliver a balanced budget within one financial year. A summary analysis of the schools-related reserve balances is set out in Note 8.2 including the application of the Dedicated Schools Grant in 2010/11.
- 3.13 The Council's internal management accounting structure shown in the Directorate analysis (reflected in the summary Table 1) and the basis on which Council Tax is calculated differs from that required to be presented in the Comprehensive Income and Expenditure Statement (page 15) in accordance with the Code. The net revenue position for 2010/11 of £388.194m (£302.326m) for 2009/10) set out in Table 1 is further explained in Note 29. Note 29 provides more detail of the categories of income and expenditure incurred by the Council in relation to the Directorate analysis reported during the year.
- 3.14 Note 29 also shows the amounts in the Comprehensive Income and Expenditure Statement not reported to management during the year, but which are required to be included to meet technical and statutory accounting requirements. These total additional income of £38.242m in 2010/11 (£62.450m in 2009/10). The inclusion of these accounting entries results in a Cost of Services of net expenditure of £349.952m (net expenditure of £364.776m in 2009/10). Having taken account of other items including financing costs (Note 11) and taxation and grant income (Note 12), this results in a Surplus on the Provision of Services of £44.595m (Surplus of £4.064m in 2009/10). With the addition of other accounting entries, in particular, the actuarial gains on pensions assets explained in note 48, Total Comprehensive Income and Expenditure on activity in the year is an excess of income over expenditure of £163.770m (which compares to an excess of expenditure over income in £135.946m in 2009/10).
- 3.15 The taxation position is shown in the Movement in Reserves Statement. Note 8 to the Movement in Reserves Statement begins with the Total Comprehensive Income and Expenditure position and adjusts for those statutory accounting items which do not impact upon Council Tax. The result is confirmation of the position on reserve balances shown in the Movement in Reserves Statement and the Balance Sheet.

4 CAPITAL EXPENDITURE 2010/11

- 4.1 Capital expenditure relates to the cost of provision or enhancement of assets or other expenditure where the benefit extends beyond the financial year in which it occurs. Capital expenditure is defined by the Capital Financing Regulations and capital and revenue transactions must be accounted for separately. In 2010/11, the Council's capital expenditure totalled £132.639m (£124.082m in 2009/10) for capital schemes on buildings, adaptations, roads, equipment and intangible assets. The approved capital programme was however, reduced part way through the year as a result of reductions in grant funding from central Government. For Cumbria this resulted in reductions of grant to fund Children's Services capital projects of £2.542m and Transport funding was reduced £1.710m. This was in addition to the removal of the funding approvals for the Building Schools for the Future programme totalling £62m and reductions from funding from Northwest Development Agency totalling £26.917m which impacted on a number of regeneration schemes. The total approved capital programme for 2010/11 of £199.034m represented the largest annual capital programme the Council has undertaken.
- 4.2 In 2010/11 children in Cumbria benefited from substantial capital investment going into a number of key developments in schools. This has included the development of two Academies in Carlisle and one Academy in West Cumbria, the Primary Capital Programme upgrading schools in the Barrow area and six strategic projects which support Special Educational needs through targeted capital investment. In addition there has been on going development and significant investment at the Port of Workington (both flood restoration works and infrastructure development) and the construction of the Carlisle Northern Development Route (note 43 sets out the PFI arrangements for this road scheme).
- 4.3 A summary of capital expenditure and how it has been financed is shown in Note 41. The Council considers carefully capital financing to ensure it is both prudent, affordable and sustainable in the medium and long term. Capital receipts generated in 2010/11 totalled £2.509m (£2.681m in 2009/10) and this is in excess of the budget target adjusted for the receipts originally profiled for 2010/11 in respect of Barrow Care Home Modernisation which were not able to be realised in 2010/11.

Borrowing

- 4.4 The Prudential Code for Capital Finance in Local Authorities regulates Local Authority borrowing and gives freedom to Councils to borrow, providing they are capable of meeting the revenue costs of borrowing and the borrowing strategy is in keeping with Prudential Indicators and guidelines. The Council's borrowing strategy and limit is agreed annually, at February Council meeting when the budget is set, and the strategy is part of the Treasury Management Strategy. The Council's

authorised limit for external debt for 2010/11 was £540m (£524m in 09/10) and the operational limit was £525m (£509m in 2009/10). In 2010/11 the Council operated within the agreed authorised limits

- 4.5 The long term borrowing shown in the Balance Sheet (page 17) relates to the part financing of capital expenditure incurred in 2010/11, earlier years and for future years. The balance at 31st March 2011 is £316.021m and this is an increase of £19.957m since 31st March 2010.

5 CHANGES IN ACCOUNTING STANDARDS

- 5.1 The key changes to accounting policies for 2010/11 result from the implementation of IFRS and the requirement to prepare a set of accounts for 2010/11 which are IFRS compliant.

- 5.2 The audited 2009/10 Statement of Accounts prepared in accordance with UK GAAP (Generally Accepted Accounting Principles) and Note 4 sets out the material differences between the amounts presented in the UK GAAP 2009/10 financial statements (prepared in accordance with the Statement of Recommended Practice (SORP) 2009) and the equivalent amounts presented as comparators in the IFRS 2010/11 financial statements.

- 5.3 The areas of main change are as follows:-

- a. Changes to accounting policies – items (c) to (f) in particular have resulted in significant changes to accounting policies, as the accounting policies determine the development and the treatment of transactions contained in the financial accounts.
- b. Financial Statements – new statements and amended layouts.
- c. Salaries and Pensions – untaken holiday pay and similar items are now accrued for at the balance sheet date (termed short-term accumulating absences).
- d. Government Grants and Contributions – grants and contributions relating to capital and revenue expenditure are accounted for on an accruals basis and now have to be recognised immediately in the Comprehensive Income and Expenditure Statement as income, except to the extent that the grant or contribution has a condition that the Council has not satisfied. In those cases where conditions have not been met and there is an explicit requirement to repay the grant if the conditions are not met, any balances unspent are treated as creditors (for revenue grant) and Capital Grants Received in Advance (for capital).
- e. Property, Plant and Equipment – new categories and changes to the valuation for the treatment of fixed assets are introduced, including ‘assets held for sale’ and assets held as ‘investment

properties'. Componentisation of the value of assets is required from 1st April 2010 and this requires consideration of separation of assets into their components where components have a different useful life and/or depreciation method and the components are significant in relation to the total cost of the item, for example, a flat roof might be separated from the main building cost.

- f. Leases – new tests to determine whether a lease is an operating or finance lease are introduced. Property leases previously accounted for as a single lease must now be distinguished between their land and building elements. If assets leased in by the Council are reclassified as finance leases, a new fixed asset is recognised together with the related finance lease liability in the Council's balance sheet. If assets leased out by the Council are identified as finance leases, the asset is derecognised and a debtor is created. Contractual arrangements must be considered to determine if 'embedded leases' exist i.e. where the arrangement conveys the right to use (or control the use of) assets in return for a series of payments.
- g. Disclosure notes to the financial statements – additional disclosures to the accounts are required to comply with IFRS requirements.

- 5.4 The restatement of the 2009/10 financial statements to be IFRS compliant consistent with the requirement of the Code, provides comparators to help the reader of the accounts understand the change in the financial position of the Council between the 2009/10 and 2010/11. The Balance Sheet (page 17) provides an additional analysis, showing the opening balance at 1st April 2009 which is the closing balance sheet at 31st March 2009 (financial year 2008/09) restated for IFRS requirements.
- 5.5 Note 2 sets out the critical judgements about the future and other major sources of estimation uncertainty when considering the application of accounting policies to comply with Accounting Standards.

6 PENSION COSTS

- 6.1 The County Council is legally obliged to offer guaranteed pension benefits to its employees. The Accounting Policies (policy (vii)) explain the accounting treatment of retirement benefits and costs applicable to the Council solely, reflected in the Income and Expenditure Account and the Balance Sheet. The International Accounting Standard (IAS)19–Employee Benefits is applicable to Local Authorities. Under IAS19, the Council is required to recognise the cost of retirement benefits in the cost of services when earned by employees (shown in the Comprehensive Income and Expenditure Statement) rather than when the benefits are eventually paid as pensions. However, adjustments through the Movement in Reserves Statement ensure that

the amount charged to taxpayers and the Council Tax relate to cash payable in the year i.e. the employer's contributions payable to the scheme.

- 6.2 In the Council's Balance Sheet (page 17), the County Council's long-term pension liability has decreased by £174.633m from £631.973m at 31 March 2010 to £457.340m at 31st March 2011. The decrease in the Pension Fund deficit in 2010/11 is due to a favourable change in the financial assumptions used in the actuarial valuations. The rate of increase in salaries was reduced leading to a lower value being placed on liabilities and using CPI (Consumer Prices Index) rather than RPI (Retail Price Index) for increases in public service pensions. Asset values also increase at a greater rate than assumed in the actuarial valuation.

7 PENSION FUND

- 7.1 The County Council is the administering body for the Cumbria Local Government Pension Scheme, and the Firefighters' Pension Scheme, hence the Council's Statement of Accounts include supplementary financial statements for these pension funds. Section 7 sets out these financial statements and relevant notes.
- 7.2 During 2010/11, the Local Government Pension Fund's net assets increased by £121.506m to £1,399.926m due to steady improvement in the stock market between 31st March 2010 and 31st March 2011. (This compares to an increase of £285.890m during the year 2009/10). The increase in net assets includes a net addition to the fund from dealings with members, such as pension payments and contributions received, of £21.717m.
- 7.3 The Fund achieved an investment return of 8.0% for the year which compares well with the Fund's bespoke benchmark return of 7.7%. The Fund's principal aim, to maintain consistent outperformance over the longer term is best demonstrated by focusing on the longer term ten year performance which shows the Fund continuing to rank within the top quartile in the World Market Local Authority Universe over the longer term. The 10 year investment return ranked Cumbria 17th out of 100. This prudent approach contributed to a stable funding position of 79% of liabilities funded as at 31st March 2010 triennial valuation, which compared to 81% at the date of the previous triennial valuation of 31st March 2007. The interim position at 31st March 2011 showed an improvement to 82% funding position. Only moderate increases in the employers' contribution rates have been required following the triennial valuation (from 17.7% to 18.4%). The average contribution rate for English Shire Counties is 19.2%.

8 IMPACT OF CURRENT ECONOMIC CLIMATE ON AUTHORITY

- 8.1 Along with other Councils, reductions in Central Government funding to local government as part of the national economic strategy to reduce the public sector funding deficit have impacted on the Council. Revenue funding and capital grants reductions during 2010/11 are explained elsewhere in paras 3.5 and 4.1. For 2011/12 the Local Government settlement for Cumbria resulted in net grant losses of £26m, which coupled with the need to fund additional pressures of £18m meant that the Council needed to deliver a savings package of over £44m. The Council had anticipated long term funding reductions and through its strategic planning process for 2010/11 had already embarked on a programme of service review and efficiencies ("the Better Programme").
- 8.2 For 2011/12 and beyond, existing savings programmes have been extended and additional programmes identified, such that the Council's MTFP includes options to cover all but £2m of the predicted funding gap for 2012/13.
- 8.3 The economic downturn also impacted on investment returns achieved on Pension Fund investments and County Council cash reserves. The reduction in investment returns, the change from applying estimates of pension payment increases using the Consumer Price Index, rather than Retail Price Index (historically CPI rates have been below RPI) and changing assumptions in light of new empirical evidence on life expectancy were factored into the triennial actuarial review of the Cumbria Local Government Pension Fund which was undertaken as at 31st March 2010. The revised contribution rates and a prudent deficit recovery plan were reflected in the Council's 2011/12 budget and MTFP.
- 8.4 There remains some risk and uncertainty surrounding the budget strategy and MTFP takes consideration of risks and uncertainties associated with projections of future pay, prices, interest rates, projected levels and timing of income, the efficiency programme and potential liabilities. This is reflected in the level of central contingency and general revenue reserves set aside to meet this risks. This MTFP agreed by Council in February 2011 identified a target level of £14.5m of general reserves to provide some capacity for the Council to meet these uncertainties.
- 8.5 Provisions totalling £8.123m (£2.552m at 31st March 2010) to meet known future liabilities are set out in note 25. The increase between the two years relates in the main to the provision for voluntary redundancy of those staff whose application for consideration had been agreed at 31st March 2011.

9 OTHER ITEMS

- 9.1 The actuarial valuation of the Pension Fund has resulted in a Past Service Gain of £75.831m for Cumbria County Council being credited to services in the Comprehensive Income and Expenditure Statement. This is shown as an exceptional item and is due to a change in the scheme benefits from changing the valuation of pension funds from Retail Price Index (RPI) to Consumer Price Index (CPI). This is then reversed through the Movement in Reserves Statement to reduce the Pension Fund Liability on the Balance Sheet. There is no effect on the General Fund balance from this.
- 9.2 The Group Accounts set out in Section 6 show an increase of £163.138m in the total value of the Group (from £117.244m at 31st March 2010 to £280.382m at 31st March 2011). The majority of this increase relates to the Council, and the reduction in the pensions liability (as set out in the pensions reserve of the Group).
- 9.3 Assumptions made about the future in preparing the Statement of Accounts are set out in Note 3.

10 POST BALANCE SHEET EVENT

- 10.1 There have been no material events after the reporting date that are required to be taken into account in the financial statements.

SECTION 2 - THE STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Council's Responsibilities

The Council is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Chief Finance Officer (Assistant Director – Finance).
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

Corporate Director's Responsibilities

- The Chief Executive and other Corporate Directors are each accountable to the Council for the financial management and administration of those services and activities allocated to them in accordance with Council policy, including effective ongoing budgetary control, with appropriate support and advice from the Assistant Director - Finance.
- Each Corporate Director is responsible for ensuring that adequate and effective systems of internal control are operated to ensure the accuracy, legitimacy and proper processing of transactions and the management of activities.

The Chief Finance Officer's Responsibilities

The Assistant Director – Finance is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC *Code of Practice on Local Council Accounting in the United Kingdom* (the Code).

In preparing this Statement of Accounts, the Assistant Director – Finance has:

- selected suitable accounting policies and then applied them consistently
- made judgements and estimates that were reasonable and prudent
- complied with the local Council Code

The Assistant Director – Finance has also:

- kept proper accounting records which were up to date
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

I certify that this Statement of Accounts gives a true and fair view of the financial position of the Council at the 31st March 2011 and its expenditure and income for the year ended the 31st March 2011.

Signed :

Kate McLaughlin-Flynn, Assistant Director – Finance
30th June 2011

Certificate of Approval of the Council's Statement of Accounts

I certify that the accounts set out in this document have been considered by the Council's Audit and Assurance Committee at its meeting held on..... and have been *approved by a resolution of this Committee*.

Signed on behalf of Cumbria County Council

Ms. H. Carrick
Chairman of Audit and Assurance Committee

Date – to be added (e.g. 30th September 2011)

SECTION 3 - ACCOUNTING STATEMENTS – CUMBRIA COUNTY COUNCIL

Section 3 sets out four accounting statements in respect of the Council's activities in 2010/11, showing previous years comparators.

Comprehensive Income and Expenditure Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Councils raise taxation to cover expenditure in accordance with statutory regulations and this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

Movement in Reserves Statement which identifies the movement in the year on the different reserves held by the Council, analysed into "usable reserves" (i.e. cash backed reserves which can be used to fund expenditure or reduce local taxation) and other "unusable" reserves (i.e. not cash backed). The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for Council Tax setting purposes. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED 31st MARCH 2011

There have been no acquisitions of operations or discontinued operations during 2010/11 or 2009/10. The Coroner's Service has previously been shown separately in the Cost of Services but is now included in Central Services to the Public. The gross expenditure for 2009/10 was £0.980m.

2009/10 Restated			Service	Note to the Accounts	2010/11		
Gross Expenditure	Gross Income	Net Expenditure			Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000			£000	£000	£000
2,842	(1,180)	1,662	Services:		2,918	(1,147)	1,771
60,246	(11,818)	48,428	Central Services to the Public		66,401	(8,564)	57,837
519,810	(405,475)	114,335	Cultural, Environmental, Regulatory and Planning Services		566,329	(418,849)	147,480
50,290	(10,498)	39,792	Education and Childrens' Services		49,359	(12,573)	36,786
190,284	(62,272)	128,012	Highways and Transport Services		195,321	(46,482)	148,839
23,487	(873)	22,614	Adult Social Care		27,317	(737)	26,580
3,583	(519)	3,064	Fire & Rescue Services		6,652	(1,300)	5,352
1,720	0	1,720	Corporate and Democratic Core		1,138	0	1,138
0	0	0	Non Distributed Costs	9	(75,831)	0	(75,831)
5,149	0	5,149	Exceptional Item		0	0	0
			Equal Pay				
857,411	(492,635)	364,776	Cost of Services	29	839,604	(489,652)	349,952
5,636	(6,131)	(495)	Other Operating Expenditure	10	32,649	0	32,649
47,418	(2,202)	45,216	Financing and Investment Income and Expenditure	11	46,560	(1,916)	44,644
0	(413,561)	(413,561)	Taxation and Non Specific Grant Income	12	0	(471,840)	(471,840)
	(4,064)		(Surplus)/Deficit on Provision of Services				(44,595)
	(53,768)		(Surplus) or Deficit on Revaluation of Property, Plant and Equipment Assets				7,907
	0		(Surplus) or Deficit on Revaluation of Available for Sale Financial Assets				0
	193,681		Actuarial (Gains)/Losses on Pension Assets/Liabilities				(127,082)
	97		Other (Gains)/Losses				0
	140,010		Other Comprehensive Income and Expenditure				(119,175)
	135,946		Total Comprehensive Income and Expenditure				(163,770)

MOVEMENT IN RESERVES STATEMENT FOR THE YEAR ENDED 31st MARCH 2011

	General Fund £000	Earmarked Reserves £000	Earmarked Capital Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied Account £000	Long term investment reserve £000	Total Usable Reserves £000	Revaluation Reserve £000	Capital Adjustment Account £000	Deferred Capital Receipt £000	Pension Reserve £000	Financial Instruments Adjustment Account £000	Collection Fund Adjustment Account £000	Accumulated Absences Account £000	Unequal pay back pay account £000	Total Unusable reserves £000	Total Reserves £000
Balance at 31 March 2009	12,290	52,154	5,811	152	0	2,813	73,220	120,751	483,389	953	(421,257)	(588)	(721)	(10,695)	(4,251)	167,581	240,801
Movement in Reserves during 2009/10																	
Surplus or (deficit) on the provision of services	4,064	0	0	0	0	0	4,064	0	0	0	0	0	0	0	0	0	4,064
Other Comprehensive Income and Expenditure (STRGL)	0	0	0	0	0	0	0	53,768	0	0	(193,681)	0	(97)	0	0	(140,010)	(140,010)
Total Comprehensive Income and Expenditure	4,064	0	0	0	0	0	4,064	53,768	0	0	(193,681)	0	(97)	0	0	(140,010)	(135,946)
Adjustments between accounting basis and funding basis under regulations (Note 7)	(368)	386	0	41	0	0	59	(4,520)	19,057	(409)	(17,035)	0	977	1,567	0	(363)	(304)
Net Increase/(Decrease) before Transfers to Earmarked Reserves	3,696	386	0	41	0	0	4,123	49,248	19,057	(409)	(210,716)	0	880	1,567	0	(140,373)	(136,250)
Transfers (to)/from Earmarked Reserves (Note 8)	(5,936)	4,645	(2,960)	0	0	0	(4,251)	0	0	0	0	0	0	0	4,251	4,251	0
Increase/(Decrease) in 2009/10	(2,240)	5,031	(2,960)	41	0	0	(128)	49,248	19,057	(409)	(210,716)	0	880	1,567	4,251	(136,122)	(136,250)
MIRS Balance at 31 March 2010	10,050	57,185	2,851	193	0	2,813	73,092	169,999	502,446	544	(631,973)	(588)	159	(9,128)	0	31,459	104,551
Movement in Reserves during 2010/11																	
Surplus or (deficit) on the provision of services	44,595	0	0	0	0	0	44,595	0	0	0	0	0	0	0	0	0	44,595
Other Comprehensive Income and Expenditure (STRGL)	0	0	0	0	0	0	0	(7,907)	0	0	127,082	0	0	0	0	119,175	119,175
Total Comprehensive Income and Expenditure	44,595	0	0	0	0	0	44,595	(7,907)	0	0	127,082	0	0	0	0	119,175	163,770
Adjustments between accounting basis and funding basis under regulations (Note 7)	(33,192)	0	2,480	635	388	0	(29,689)	(6,431)	(8,700)	(410)	47,551	0	857	(3,866)	0	29,001	(688)
Net Increase/(Decrease) before Transfers to Earmarked Reserves	11,403	0	2,480	635	388	0	14,906	(14,338)	(8,700)	(410)	174,633	0	857	(3,866)	0	148,176	163,082
Transfers (to)/from Earmarked Reserves (Note 8)	(6,586)	6,586	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Increase/(Decrease) in 2010/11	4,817	6,586	2,480	635	388	0	14,906	(14,338)	(8,700)	(410)	174,633	0	857	(3,866)	0	148,176	163,082
MIRS Balance at 31 March 2011	14,867	63,771	5,331	828	388	2,813	87,998	155,661	493,746	134	(457,340)	(588)	1,016	(12,994)	0	179,635	267,633

BALANCE SHEET AS AT 31st MARCH 2011

1st April 2009 Restated £000	31st March 2010 Restated £000		Notes to the Accounts	31st March 2011 £000
		Long Term Assets:		
		Property, Plant and Equipment		
694,224	720,444	Other Land and Buildings		675,567
26,485	21,116	Vehicles, Plant, Furniture and Equipment		21,831
212,320	255,930	Infrastructure		291,153
52	52	Community Assets		46
2,732	29,782	Assets Under Construction		29,007
7,485	10,266	Surplus Properties Not Held For Sale		10,247
943,298	1,037,590	Total Property, Plant and Equipment	13	1,027,851
1,232	1,232	Investment Properties	14	1,232
9,280	16,583	Intangible Assets	15	13,104
2,813	2,813	Long Term Investments	17	2,813
2,524	2,254	Long Term Debtors	18	1,979
959,147	1,060,472	Total Long Term Assets		1,046,979
		Current Assets:		
1,273	494	Non Current Assets Held for Sale	23	626
667	438	Inventories	20	1,156
80,602	79,418	Short Term Debtors and Prepayments	21	70,758
41,125	36,494	Short Term Investments	16	43,595
26,971	40,369	Cash and Cash Equivalents	22	75,318
150,638	157,213	Total Current Assets		191,453
		Current Liabilities:		
(4,078)	(4,780)	Short Term Borrowings	16	(14,867)
(87,001)	(83,713)	Short Term Creditors	24	(89,809)
(3,098)	(5,884)	Capital Element of Finance Lease Rental		(5,627)
(25,618)	(22,221)	Revenue Grants Receipts in Advance		(20,838)
(36,752)	(2,552)	Short Term Provisions	25	(8,123)
(9,303)	(10,548)	Bank Overdraft	16	(7,583)
(165,850)	(129,698)	Total Current Liabilities		(146,847)
		Long Term Liabilities:		
(258,630)	(296,064)	Long Term Borrowings	16	(316,021)
(5,797)	(5,627)	Capital Element of Finance Lease Rental		0
(14,490)	(44,247)	Capital Grants Receipts in Advance	39	(44,534)
(2,960)	(5,525)	Long Term Provisions	25	(6,057)
(421,257)	(631,973)	Pensions Liability	48	(457,340)
(703,134)	(983,436)	Total Long Term Liabilities		(823,952)
240,801	104,551	Net Assets		267,633
		Usable Reserves		
12,290	10,050	General Fund Balance		14,867
52,154	57,185	Earmarked Reserves	8	63,771
5,811	2,851	Earmarked Capital Reserve	8	5,331
152	193	Usable Capital Receipts Reserve	26	828
0	0	Capital Grants Unapplied Reserve	26	388
2,813	2,813	Long Term Investment Reserve	26	2,813
73,220	73,092			87,998
		Unusable Reserves		
120,751	169,999	Revaluation Reserve	27	155,661
483,389	502,446	Capital Adjustment Account	27	493,746
953	544	Deferred Capital Receipts	27	134
(421,257)	(631,973)	Pensions Reserve	48	(457,340)
(588)	(588)	Financial Instruments Adjustment Account	27	(588)
(721)	159	Collection Fund Adjustment Account	27	1,016
(10,695)	(9,128)	Accumulated Absences Account	27	(12,994)
(4,251)	0	Equal Pay Back Pay Account		0
167,581	31,459			179,635
240,801	104,551			267,633

CASH FLOW STATEMENT AS AT 31st MARCH 2011

2009/10 Restated £000		Notes	2010/11 £000
(4,064)	Net (Surplus)/Deficit on the Provision of Services		(44,595)
(22,812)	Adjustments to net surplus or deficit on the provision of services for non cash movements		(130,299)
30,558	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		76,967
(272)	Interest element of finance lease payments reversed		0
(2,013)	Interest Received	28.2	(596)
12,813	Interest Paid	28.2	14,714
(1,245)	Dividends Received	28.2	(1,045)
386	Revenue Grants Adjustment		0
13,351	Net Cashflows from Operating Activities	28.1	(84,854)
	Investing Activities		
85,343	Purchase of Property, Plant and Equipment, investment properties and intangible assets		129,282
8,148	Purchase of Long and Short Term Investments		155,275
(2,681)	Proceeds from sale of Property, Plant and Equipment, Investment Properties and Intangible Assets		(2,509)
(11,573)	Proceeds from short and long term investments		(118,424)
(66,178)	Other receipts from investing activities - capital grants		(93,691)
13,059	Net Cashflows from Investing Activities	28.3	69,933
	Financing Activities		
(37,500)	Cash Receipts from Long and Short Term Borrowing		(30,000)
(7,249)	Other Receipts from Financing Events		857
6,150	Cash payments for the reduction of the outstanding liabilities relating to finance leases		6,150
36	Repayments of Long and Short Term Borrowings		0
(38,563)	Net cashflows from Financing Activities	28.4	(22,993)
(12,153)	Net (Increase) or Decrease in Cash and Cash Equivalents		(37,914)
17,668	Cash and Cash Equivalents at the Beginning of the Reporting Period		29,821
29,821	Cash and Cash Equivalents at the End of the Reporting Period	28.5	67,735

SECTION 4 – CUMBRIA COUNTY COUNCIL STATEMENT OF ACCOUNTING POLICIES

This section provides details of the significant accounting policies and estimation techniques used in the preparation of the County Council's accounts.

i. General Principles

The Statement of Accounts summarises the Council's transactions for the 2010/11 financial year and its overall financial position as at 31 March 2011. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2011 which require them to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Council Accounting in the United Kingdom 2010/11 and the Best Value Accounting Code of Practice 2010/11, supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost i.e. expenditure is included on the basis of price actually paid rather than the additional allowance being made for changes in purchasing power of money, modified by the revaluation of certain categories of non-current assets and financial instruments.

ii. Accounting Concepts

Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where there is evidence that debts are unlikely to be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

Relevant

The information in the accounts is useful in assessing the County Council's stewardship of public funds and for making economic decisions.

Reliable

The information in the accounts is complete, prudently prepared, reflects the substance of transactions and is free of deliberate or systematic bias or material errors

Comparable

A consistent approach to accounting policies is used in preparing the accounts to ensure that they may be compared to previous years. Where there is a change in accounting policy that has a material effect on the information, this has been disclosed.

Understandable

The County Council endeavours to ensure that an interested reader can understand the accounts.

Materiality

In using its professional judgment, the County Council considers the size and nature of any transaction, or set of transactions. An item is considered material where its omission could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the item, or a combination of both, could be the determining factor.

Going Concern

The accounts are prepared on a going concern basis which assumes that the County Council will continue in existence for the foreseeable future and that there is no intention to significantly reduce operations.

Primacy of Legislative Requirements

The County Council operates through the power of statute. Where specific legislative requirements conflict with accounting principles, legislative requirements are applied.

iii. Reserves

In addition to its General Balances the Council sets aside specific amounts as reserves for future policy purposes, to cover contingencies or for specific areas of future risk. This allows the Council to manage the impact of its spending in a planned and prudent way. The Council continually reviews

these reserves to ensure that they remain appropriate and aligned to the Council's priorities.

The Council's main reserves are as follows:

- The General Reserve is set aside to meet general future revenue expenditure and to protect the Council against exposure to unexpected events.
- Under the Government's Fair Funding arrangements individual schools manage their own budgets and are allowed to carry forward accumulated surpluses and deficits as reserves.
- Earmarked reserves are set aside to meet specific items of future revenue expenditure.

Reserves are created by appropriating amounts from the General Fund Balance to specific reserves. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate revenue service in that year to score against the Cost of Services in the Comprehensive Income and Expenditure Account. The reserve is then appropriated back into General Fund Balance so that there is no net charge against Council Tax for the expenditure.

Certain reserves are maintained to manage the accounting processes for fixed assets and retirement benefits and do not represent usable resources for the council – these reserves are explained within the relevant accounting policies in this statement.

Further detail in respect of the Council's reserves is set out in the Notes to the Accounts.

iv. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value. Cash equivalents will only be money market fund deposits, as fixed maturity deposits have penalties built in for early redemption.

In the Balance Sheet and Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

v. Changes in Accounting Policies and Estimates and Errors

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is

made, it is applied retrospectively by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Where the basis for measurement of an amount is uncertain, the Council will use a suitable estimation technique determined by the Finance Director. Where a reasonable estimate has been made, but is subsequently identified as being insufficiently accurate, the Finance Director will amend the Accounts accordingly. Changes in accounting estimates are accounted for prospectively, i.e., in the current and future years affected by the change.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

vi. Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding fixed assets during the year:

- depreciation attributable to the assets used by the relevant service;
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off; and
- amortisation of intangible fixed assets attributable to the service.

The Council is not required to raise council tax to cover depreciation, impairment and revaluation losses or amortisations. However, it is required to make an annual contribution from fund balances towards the reduction in its overall borrowing requirement. This amount is known as the Minimum Revenue Provision (MRP) and is calculated by the Council on a prudent basis determined by the Council in accordance with statutory guidance. Depreciation, impairment and revaluation losses and amortisations are therefore reversed and replaced by the MRP, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement.

For assets financed by supported borrowing the Council still uses the 4% reducing balance previously required under statute.

vii. Employee Benefits

Benefits Payable During Employment

Short-term employee benefits are those falling due wholly within 12 months after the end of the period in which the employees render the related service. These include items such as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits for current employees, and are recognised as an expense in services in the year. An accrual is made for the cost of holiday entitlements but not taken before the year-end and which employees can carry forward into the next financial year.

The accrual is charged to services in the Comprehensive Income and Expenditure Account. It is then reversed out through the Movement in

Reserves statement. This ensures that holiday benefits are charged to revenue in the financial year in which the absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy. These benefits are charged on an accruals basis to the relevant service(s) line within the Surplus or Deficit on Provision of Services in the Comprehensive Income and Expenditure Statement when the Council is demonstrably committed to either terminating the employment of an officer or group of officers, or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post Employment Benefits

The majority of employees of the Council are members of one of four separate pension schemes designed to meet the needs of employees in particular services (further details are provided in the Notes to the Accounts). All four schemes (there are two firefighters' schemes) provide final salary defined benefits to members (retirement lump sums and pensions), earned as employees of the Council.

a) Teachers' Pensions

This scheme is administered by Teachers' Pensions. Although the scheme is unfunded, the Government has established a notional fund as the basis for calculating the employers' contributions. The Council contributes at rates determined by the Department for Education. The arrangements for the teachers' scheme mean that liabilities for these benefits cannot be identified to the Council. The scheme is, therefore, accounted for as if it were a defined contributions scheme – no liability for future payments of benefits is recognised in the Balance Sheet and the education service revenue account is charged with the employer's contributions payable to teachers' pensions in the year.

b) Firefighters' Pensions

There are currently two pension schemes for uniformed firefighters.

- The 1992 Scheme which has now been closed to new entrants.
- The 2006 Scheme available to both full time and part time uniformed personnel.

Both schemes are accounted for as defined benefits schemes. Although contributions are made into the schemes and they are both based on final

salary, they are unfunded to the extent that assets are not specifically held to meet pension liabilities. The Department for Communities and Local Government provide funds to top-up contributions collected from employers and employees to ensure that normal pension liabilities can be paid. The County Council is responsible for meeting the cost of additional injury and ill health awards and pensions.

c) The Local Government Pension Scheme

All other full-time and most part-time employees of the Council are eligible to join the Local Government Pension Scheme administered by Cumbria County Council on behalf of the local authorities of Cumbria and other admitted bodies. With effect from 1st April 2009 local authorities have been required to implement International Accounting Standard 19 (IAS19) in full. The accounts have, therefore, been prepared in accordance with Chartered Institute of Public Finance and Accountancy (CIPFA) guidance on Accounting for Retirement Benefits.

The Local Government Scheme is accounted for as a defined benefits scheme:

1. The liabilities of the scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc and projections of projected earnings for current employees. Liabilities are discounted to their value at current prices, using a discount rate of 5.6% (based on the indicative rate of return on high quality corporate bonds)
2. The assets of the pension fund attributable to the Council are included in the Balance Sheet at their fair value:
 - Quoted securities – current bid price
 - Unquoted securities – professional estimate
 - Unitised securities – current bid price
 - Property – market value

Discretionary Benefits

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

viii. Events After the Reporting Period

Events after the reporting period are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events; and
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

ix. Exceptional Items

When items of income and expenditure are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Council's financial performance.

Financial Instruments

x. Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and initially measured at fair value and carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

Borrowing

The Council's borrowing is presented in the Balance Sheet as the outstanding principal repayable (plus accrued interest) and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Borrowing is classed as either a long term liability, repayable after 12 months or longer, or a current liability if it is repayable within 12 months.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Income and Expenditure Account in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain/loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Creditors

Creditors are recognised when a supplier has provided goods and services to the Council for an agreed price. The value of the creditors recognised in the Balance Sheet represents the current value of the outstanding liabilities of the Council as at 31 March as a proxy for amortised cost.

xi. Financial Assets

Financial assets are classified into two types:

- loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market; and
- available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. The amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Where the Council has made a loan to a third party at less than market rates (a soft loan), a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year. The reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the

Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

Any gains and losses that arise on the derecognition of an asset are credited/debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Available-for-sale Assets

Available-for-sale assets are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Comprehensive Income and Expenditure Account for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Comprehensive Income and Expenditure Account when it becomes receivable by the Council.

Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

- instruments with quoted market prices - the market price
- other instruments with fixed and determinable payments - discounted cash-flow analysis

Changes in fair value are balanced by an entry in the Available-for-sale Reserve and the gain/loss is recognised in the 'surplus or deficit on revaluation of available for sale financial assets' within the other comprehensive income and expenditure part of the Comprehensive Income and Expenditure Account. Impairment losses are debited to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Account, along with any net gain/loss for the asset accumulated in the Reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Comprehensive Income and Expenditure Account.

Any gains and losses that arise on the de-recognition of the asset are credited/debited to the Comprehensive Income and Expenditure Account, along with any accumulated gains/losses previously recognised in the Statement of Recognised Gains and Losses under UK GAAP accounting. In future such gains / losses will be recognised in the other comprehensive

income and expenditure part of the Comprehensive Income and Expenditure Account.

Where fair value cannot be measured reliably (such as the investment in Cumbria Waste Management Ltd) the instrument is carried at cost (less any impairment losses).

Gains and Losses on Debt Restructuring

The Council does not currently hold any balances in relation to gains and losses arising from debt restructuring. Should any gains and losses associated with discounts and premiums on the repurchase or early settlement of borrowing arise then they will normally be recognised in Cost of Services within the Comprehensive Income and Expenditure Account in the period in which the repurchase or settlement is made. Through the Movement in Reserves Statement this will then be adjusted to neutralise the effect on the amounts to be raised through council tax in the year, by charging or crediting the Financial Instruments Adjustment Account. This reserve will in turn be written off over the remaining life of the new loan through the Movement in Reserves Statement as permitted by statute.

xii. Government Grants and Contributions

Capital Grants

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- the Council will comply with the conditions attached to the payments; and
- the grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed as specified or returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. If there is reasonable assurance that the contribution will be met, but this has not yet occurred, any grant / contributions received will be held on the Balance sheet as Grant Receipt in Advance (in Liabilities).

When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants/contributions) or Taxation and Non-Specific Grant Income (non-ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to

finance capital expenditure, it is posted to the Capital Grants Unapplied Account. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Account are transferred to the Capital Adjustment Account once they have been applied.

A grant of contribution that becomes repayable shall be accounted for as a revision to an accounting estimate. Repayment shall first be applied to any receipt in advance set up in respect of the grant or contribution. To the extent that the repayment exceeds any such receipt in advance, or where no receipt in advance exists, the repayment shall be recognised within the Comprehensive Income and Expenditure Statement as an expense.

Revenue Grants

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- the Council will comply with the conditions attached to the payments; and
- the grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed as specified or returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. If there is reasonable assurance that the contribution will be met, but this has not yet occurred, any grant / contributions received will be held on the Balance sheet as Revenue Grant Receipt in Advance (in Liabilities).

When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants/contributions) or Taxation and Non-Specific Grant Income (non-ring-fenced revenue grants) in the Comprehensive Income and Expenditure Statement.

Where revenue grants are credited to the Comprehensive Income and Expenditure Statement and the grant has yet to be used to finance revenue expenditure, and there are restrictions as to how the monies are to be applied, an earmarked reserve will be established and the monies transferred into the earmarked reserve through the Movement in Reserves Statement. When the grant is applied, an amount equal to the expenditure may then be transferred back from the earmarked reserve to the General Fund.

A grant of contribution that becomes repayable shall be accounted for as a revision to an accounting estimate. Repayment shall first be applied to any receipt in advance set up in respect of the grant or contribution. To the extent that the repayment exceeds any such receipt in advance, or where no receipt

in advance exists, the repayment shall be recognised within the Comprehensive Income and Expenditure Statement as an expense.

Area based grant (ABG) was a general grant allocated by central government directly to local authorities as additional revenue funding. ABG is non-ring fenced and is credited to Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement.

xiii. Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and restricted to that incurred during the development phase (research expenditure is not capitalised).

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Council's goods or services.

Intangible assets are measured initially at cost. Amounts are not revalued, as the fair value of the assets held by the Council cannot be determined by reference to an active market. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

xiv. Interests in Companies and Other Entities

The Council has material interests in companies and other entities that have the nature of subsidiaries, associates and jointly controlled entities and require it to prepare group accounts.

The Council has majority and minority interests in a number of companies. Of the Council's investments in related companies, only the initial investment in Cumbria Waste Management Ltd is material and shown in the Council's Balance Sheet at cost. Contributions to other companies have been charged as expenditure in the year in which they were made. Any profit or loss on realisation is only taken into account at the time of realisation.

Within the Group Accounts, separate accounting policies have been applied in accordance with CIPFA recommendations and are shown in this section of the Statement of Accounts.

xv. Inventories

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned using the average cost.

Work in progress is included at cost including an allocation in respect of the overheads reasonably attributable to the works.

xvi. Investment Properties

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's length. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

xvii. Jointly Controlled Operations and Jointly Controlled Assets

Jointly controlled operations are activities undertaken by the Council in conjunction with other venturers that involve the use of the assets and

resources of the venturers rather than the establishment of a separate entity. The Council recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure it incurs and the share of income it earns from the activity of the operation.

Jointly controlled assets are items of property, plant or equipment that are jointly controlled by the Council and other venturers, with the assets being used to obtain benefits for the venturers. The joint venture does not involve the establishment of a separate entity. The Council accounts for its share of the jointly controlled assets, the liabilities and expenses that it incurs on its own behalf or jointly with others in respect of its interest in the joint venture and income that it earns from the venture.

xviii. Leases

The Council's general approach is to optimise the balance between the use of operating leases, finance leases, and prudential borrowing for the acquisition of vehicles and equipment to ensure the most economic approach for the Council. The Council will assess whether it is appropriate to borrow money to purchase an asset, or alternatively enter into a lease agreement.

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Council as Lessee

Buildings

Where a lease agreement is for greater than 750 years the asset will be automatically treated as freehold and accounted for as a County Council asset.

Where a lease agreement is for between 100 years and 749 years the lease will automatically be treated as finance lease and accounted for appropriately.

Where a lease agreement is for 25 years or less the lease will automatically be treated as an operating lease and accounted for appropriately.

Where a lease agreement is between 26 years and 99 years it will be assessed against the IFRS criteria that establishes if a lease is finance or operating and accounted for accordingly.

Land

Where a lease agreement is for greater than 750 years the asset will be automatically treated as freehold and accounted for as a County Council asset.

All other leases will be assessed against the IFRS criteria that establishes if a lease is finance or operating and accounted for accordingly.

Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease liability; and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life.

The Council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g., there is a rent-free period at the commencement of the lease).

The Council as Lessor

Buildings

Where a lease agreement is for greater than 750 years the asset will be automatically treated as freehold and not included as a County Council asset.

Where a lease agreement is for between 100 years and 749 years the lease will automatically be treated as finance lease and accounted for appropriately.

Where a lease agreement is for 25 years or less the lease will automatically be treated as an operating lease and accounted for appropriately.

Where a lease agreement is between 26 years and 99 years it will be assessed against the IFRS criteria that establishes if a lease is finance or operating and accounted for accordingly.

Finance Leases

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a long term debtor in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a capital receipt for the disposal of the asset – applied to write down the Debtor (together with any premiums received); and
- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and will be required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the Debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Operating Leases

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income

is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g., there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

xix. Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Best Value Accounting Code of Practice 2010/11 (BVACOP). Costs are apportioned on the basis of time spent, space occupied or facilities used. The following two cost categories are defined in BVACOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services:

Corporate and Democratic Core - Costs relating to the Council's status as a multi-functional, democratic organisation e.g. the direct cost and cost of supporting Council Members and Corporate Management

Non Distributed Costs - The cost of discretionary benefits awarded to employees retiring early and any depreciation and impairment losses chargeable on non operational properties.

xx. Principal and Agent Transactions

The Council's financial statements have regard to the general principle of whether the Council is acting as the principal or agent.

Where the Council acts as a Principal, i.e. it is acting on its own behalf, transactions are included in the Council's financial statements.

Where the Council acts as an Agent i.e. it is acting as an intermediary, transactions are not reflected in the Council financial statements, with the exception in respect of cash collected or expenditure incurred by the agent on behalf of the principal, in which case there is a debtor or creditor position and the net cash position being included in financing activities in the cash flow statement.

The Council currently acts as an agent for the collection of National Non-Domestic Rates and the preceptor's element of Council Tax. The Council acts as a principal for its own share of Council Tax.

xxi. Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e., repairs and maintenance) is charged as an expense when it is incurred.

Expenditure that adds to an asset's potential to deliver future economic benefits or service potential but costs less than £12,000 in total (deemed to be de minimis) can be charged direct to service revenue accounts as it is incurred. The exception to this is schools expenditure on items of equipment which are above £2,000 in value but less than £12,000 – which nevertheless meets the DCSF condition for funding from capital grants to schools. These items are accordingly classed as capital expenditure but rather than being treated as PPE they are treated as Revenue Expenditure Funded from Capital Under Statute (REFCUS).

Componentisation

IAS 16 – Property, Plant and Equipment (PPE) states that each part of an item of PPE with a cost that is significant in relation to the total cost of the item shall be depreciated separately. This is applicable to both enhancements and acquisition expenditure incurred and revaluations carried out from 1st April 2010. It is not retrospective. This includes specific infrastructure assets.

Where there is more than one significant part of the same asset which has the same useful life and depreciation method, such parts may be grouped in determining the depreciation charge. Significant components will be separately accounted for where there are different useful lives and / or depreciation methods.

Individual PPE assets with a Net Book Value of less than and including £5m will be classed as de minimis and be excluded from the requirement to be componentised.

Where a component of an asset is replaced or restored, the carrying amount of the old component shall be derecognised to avoid double counting and the new component reflected in the carrying amount.

Measurement

Assets are initially measured at cost, comprising:

- the purchase price; and
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Council does not capitalise borrowing costs incurred whilst assets are under construction.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

Assets are then carried in the Balance Sheet using the following measurement bases:

- infrastructure, community assets and assets under construction – depreciated historical cost; and
- all other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost is used as an estimate of fair value.

Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

Assets included in the Balance Sheet at fair value are revalued at intervals of not greater than five years via a rolling programme of asset revaluations to ensure that their carrying amount is not materially different from their fair value at the year-end. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of an impairment loss previously charged to a service.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains); or

- where there is no balance in the Revaluation Reserve, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Revaluation losses

Where the carrying amount of an item of property, plant and equipment is decreased as a result of a revaluation, i.e. a significant decline in an asset's carrying amount during the period that is not specific to the asset (as opposed to an impairment as detailed above), the decrease shall be recognised in the Revaluation Reserve up to the credit balance existing in respect of the asset and thereafter in the Surplus or Deficit on the Provision of Services.

Disposals and non-current assets held for sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. Within the County Council accounts these assets will only be reclassified at 31 March of the financial year. The following criteria have to be met before an asset can be classified as held for sale:

- The asset must be available for immediate sale in its present condition subject to terms that are usual and customary for sales of such assets.
- The sale must be highly probable; the appropriate level of management must be committed to a plan to sell the asset and an active programme to locate a buyer and complete the plan must have been initiated.
- The asset must be actively marketed for a sale at a price that is reasonable in relation to its current fair value.
- The sale should be expected to qualify for recognition as a completed sale within one year of the date of classification.

The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any losses previously recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the

Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. The receipts are required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is charged on a straight line basis based upon asset values at the beginning of the year of account. The Council uses the following assumptions in assessing the useful life of assets:

Operational Buildings	60 years
Waste Disposal Sites	30 years
Infrastructure assets	40 years*
Vehicles, Plant, Furniture & Equipment	5 – 15 years
Assets Under Construction	Not charged until brought into use
Community Assets / Investment properties	No depreciation charged
Land	Infinite life

*Because of the diverse nature of infrastructure assets individual asset lives have been assigned as appropriate.

Where an item of Property, Plant and Equipment has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Non Current Assets not owned by the Council

Some community schools are not owned by the Council. These schools are, however, included within non current assets as the Council receives the benefit from the use of these properties and substantially bears the risks and responsibilities of ownership for them.

Voluntary aided schools and Foundation schools are not included within non current assets as no substantial risks and responsibilities apply.

xxii. Private Finance Initiative (PFI) and Similar Contracts

PFI contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. As the Council is deemed to control the services that are provided under its PFI schemes and as ownership of the property, plant and equipment will pass to the Council at the end of the contracts for no additional charge, the Council carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment.

The original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment. Non-current assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Council.

The amounts payable to the PFI operators each year are analysed into five elements:

- fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement;
- finance cost – an interest charge on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;
- contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;
- payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator; and
- lifecycle replacement costs – are either recognised immediately as additions to Property, Plant and Equipment on the Balance Sheet when the relevant works are carried out or if required a prepayment is posted to the Balance Sheet for the lifecycle costs payable in that year and then recognised as additions to PPE when the relevant works are carried out.

xxiii. Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation. They are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties, and are classified as current or non-current liabilities on the Balance Sheet.

When payments are eventually made, they are charged to the provision set up in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year and where it becomes likely that a payment will not be made or the estimated liability is reduced, the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (eg from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received.

The Council has made a provision for the costs of settling potential compensation claims incurred under the Equal Pay Act (Amendment) Regulations 2003 in relation to equal pay for work equal value. However, statutory arrangements allow settlements to be financed from the General Fund in the year that payments actually take place, not when the provision is established.

Equal Pay Back Pay Account

The provision is therefore balanced by an Equal Pay Back Pay Account created from amounts credited to the General Fund balance in the year the provision was made or modified. The balance on the Equal Pay Back Pay Account will be debited back to the General Fund balance in the Movement in Reserves Statement in future financial years as payments are made. The figure included in the accounts does not indicate an expected settlement figure and does not prejudice the Council's ongoing negotiations on this matter.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Contingent Assets

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

xxiv. Revenue Expenditure Funded from Capital under Statute (REFCUS)

Revenue expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

REFCUS includes, for example, land reclamation works and capital expenditure on assets not owned by the Council, such as voluntary aided and foundation schools.

xxv. Taxation

The Council is exempt from income and corporation taxes under Section 519 of the Income and Corporation Taxes Act (1988) and from capital gains tax under Section 217 of the Taxation of Capital Gains Act (1992).

Value Added Tax is excluded from both revenue and capital in terms of both income and expenditure except where the Council is not able to recover VAT on expenditure.

The Council incurs landfill tax, which is charged on a tonnage basis to the Council by its waste disposal contractors. Reduction in the exposure to this tax is dependent on public take-up of the waste reduction and recycling initiatives promoted in conjunction with the District Councils, the bodies that are responsible for waste collection.

In addition, the Council incurs stamp duty land tax on the acquisition of property freeholds and leaseholds, climate change levy on its energy bills and insurance premium tax on its insurance costs. Also, the Council incurs employer's national insurance contributions based on a percentage of staff salaries.

There are a number of initiatives that enable the Council to reduce its exposure to tax, and it takes advantage of these as and when these arise. Where the Council incurs tax, this cost is charged to services in the Comprehensive Income and Expenditure Account using BVACOP rules.

xxvi. Landfill Allowance Trading Scheme

The Landfill Allowance Trading Scheme began on 1 April 2005. The scheme allocates landfill allowance to each waste disposal Council in England. The Council can either, buy, sell or carry forward landfill allowance depending on usage requirements above or below the annual capped allowance limit from or to another waste disposal Council. Allowances allocated by the Department for Environment, Food and Rural Affairs (DEFRA) or purchased from another Council are classified as current assets.

xxvii. Pooled Funds

Both Adult Social Care and Children's Services work with authorities outside the Council to ensure that a co-ordinated approach to service delivery is achieved. Operating surpluses or deficits are shared in accordance with the agreements between the parties.

- Where the Council acts as host to the Pooled Fund, it consolidates the results of the fund in accordance with IAS 28 Investments in Associates or IAS 31 Interests in Joint Ventures. The share of any operating surplus or deficit relating to other authorities is then eliminated.
- Where the Council does not act as host to the Pooled Fund the financial statements include the Council's share of any operating surplus or deficit accordingly.

SECTION 5 – CUMBRIA COUNTY COUNCIL NOTES TO THE ACCOUNTING STATEMENTS

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1. Accounting Standards that have been issued but have not yet been Adopted

The Code of Practice on Local Authority Accounting in the UK 2011/12 has introduced a change in accounting policy in relation to the treatment of heritage assets held by the Authority, which will need to be adopted fully by the authority in the 2011/12 financial statements.

The authority is required to disclose information relating to the impact of the accounting change on the financial statements as a result of the adoption by the Code of a new standard that had been issued, but is not yet required to be adopted by the Council, in this case, heritage assets.

As is set out above, full adoption of the standard will be required for the 2011/12 financial statements. However, the Council is required to make disclosure of the estimated effect of the new standard in these (2010/11) financial statements.

The new standard will require that a new class of asset, heritage assets, is disclosed separately on the face of the Council's Balance Sheet in the 2011/12 financial statements.

Heritage Assets are assets that are held by the authority principally for their contribution to knowledge or culture.

The heritage assets held by the Council include various collections within the overall archive collection, monuments, artefacts, paintings and civic regalia. The detail of the assets and their associated valuations are detailed below. Valuations can be based on cost or insurance valuations where available. For many of the heritage assets getting a full valuation would be costly and subjective and for that reason, as permitted by the 2011-12 Code, those assets will not be recognised.

Archives

Many of the archives that are held within the Council's archive collection are still owned by families and are deposited with the Council for the public benefit e.g. the Lowther Archives and Ellen Rose collection. These assets will not be included within the Balance Sheet as they are not owned by the Council.

Other collections are owned by the Council and include those that have been acquired over the years from predecessor councils, collections which have been gifted to the Council on behalf of the public, and collections which have been bought, mainly from external grants on behalf of the nation.

None of the archives are presently recognised on the Council's balance sheet.

The following is a summary list of archives owned by the Council:

- Fleming Diaries – Cost price £7,750
- Romney Sketch books (x3) – Insurance valuation of £75,000
- Diary of Frances Benson – Cost price £320
- Lady Anne Clifford's Great Books of Record 1675
- Thomas Mawson, Landscape Architect 1890-1950

- Henry VIII Royal Letters Patent 1541
- Public records for various organisations transferred under terms of Public Records Act 1958
- Various deeds, books and photographs donated or previously purchased by Cumberland Council and Cumbria County Council and Cumbria Archive service. None of these have values available.

Monuments

The Council has two historic monuments that are already held as Community Assets within the Council's Balance Sheet. The two monuments are:

- King Edward I monument, Burgh by Sands
- Market Cross, Alston

They are presently valued at historic cost, which for both monuments is £1 each.

Artefacts

The Council owns two 18th century cannons that are located outside The Courts building in Carlisle. There is no valuation available for these heritage assets.

Paintings

Across the Council's offices various paintings, drawings and photographs are displayed in meetings rooms, offices etc. These are heritage assets and the following is a list of those assets and their valuations.

- Within Chief Executives' Office, the Council displays eight paintings. In total they are valued at £29,150 for insurance purposes.
- Within Adult Social Care there are two paintings (Frederick J Knowles and Anne Shelley) valued at £6,000 and £4,000 respectively for insurance purposes.
- Within Cultural Services there are 19 Andy Goldsworthy sheepfold pictures valued at £40,000 for insurance purposes.
- Within Cultural Services there are 30 separate drawings and photographs displayed across various offices and meeting rooms. They are valued in total at £46,850 for insurance purposes.

Plates

The Council owns six Paul Scott plates. These have not been valued.

Civic Regalia

The Council has civic regalia which comprises of the Chairman's Badge and Chain of Office and the Chairman's Lady/Consort Badge and Chain of Office. They have not been valued.

Valuation of Heritage Assets

The Code will require that heritage assets are measured at valuation in 2011/12 financial statements (including the 2010/11 comparative information). The 2011/12 Code will permit some relaxations in the valuation requirements of heritage assets and this will mean that the County is able to recognise more of its collections of heritage assets in the Balance Sheet.

The Council should be able to recognise some of its archive collections, its monuments, civic regalia and paintings as valuations are available. However for many of the heritage assets getting a full valuation would be costly and subjective. For that reason these heritage assets are unlikely to be recognised in the 2011/12 accounts as it is the view that obtaining valuations would involve a disproportionate cost of obtaining the information in comparison to the benefits of the users of the Council's financial statements – the exemption is permitted by the 2011/12 Code.

The Council estimates that the value of heritage assets that will be recognised on the Balance Sheet in 2011/12 is £0.209m. As these assets have not yet been recognised in the Balance Sheet this will require a corresponding increase in the Revaluation Reserve of £0.209m i.e. a revaluation gain.

There is no depreciation charged on heritage assets that are currently classified as community assets because the value is £1 and it has been estimated that the assets have a useful life of such length that any depreciation charge on the asset will be negligible and can be ignored on the basis of materiality.

The Council considers that the remaining heritage assets held will have indeterminate lives and a high residual value; hence the Council does not consider it appropriate to charge depreciation for the assets. There will be no change to the depreciation charged in the financial statements in relation to the Council's heritage assets.

The movements of heritage assets in the 2010/11 financial year are set out in the table below. The Council is of the view that there are no material revaluation gains or losses on its holdings of heritage assets as at 31 March 2011.

Analysis of Heritage Assets:

	Valuation method	£	Total £
Archives			
Fleming Diaries	Cost	7,750	
Diary of Frances Benson	Cost	320	
Romney sketch books	Insurance	75,000	
			83,070
Monuments (already recognised as community assets)		0	
King Edward I monument, Burgh by Sands	Historic Cost	1	
Market Cross, Alston	Historic Cost	1	
			2
Artefacts			0

	Valuation method	£	Total £
Paintings			
Chief Executive's Offices - various	Insurance	29,150	
Adult Social Care – Frederick J Knowles	Insurance	6,000	
Adult Social Care – Anne Shelley	Insurance	4,000	
Cultural Services – Andy Goldsworthy	Insurance	40,000	
Cultural Services – drawings and photographs	Insurance	46,850	
			126,000
Civic Regalia			0
Carrying value as at 31 March 2011			209,072

2. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out above, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. Where a critical judgement is required for the accounts, in many cases the approach has been to document the accounting guidance and focus the judgements made by the relevant officers.

The Council has to decide whether the leases it enters into should be treated as operating or finance leases, and whether contractual arrangements it enters into have the substance of a lease. These judgements are made on the professional opinion of the Council's valuers, accountants and procuring officers using flowchart assessments in the Contract Procedure Rules based on criteria set out in IAS 17 Leases and IFRIC 4 Determining whether an arrangement contains a lease. The relevant accounting policy is applied based on the outcome of the assessment.

The Council has to decide whether land and buildings owned by the Council are investment properties. The Council's valuers and accountants make judgements in accordance with IAS 40 Investment Property. It has been determined that the Council has four investment properties from which £27k income was generated in 2010/11.

The Council has to decide whether there is a group relationship between the Council and other entities. The accountants assess each relationship that exists between the Council and other entities that may result in a group accounts relationship using a flowchart of decisions based on CIPFA group accounting guidance. It has been determined that there are four material group relationships that require the production of group accounts.

The Council has to decide whether the Council's exposure to possible losses is to be accounted for as a provision or a contingent liability. These decisions are taken by a combination of the Council's accountants, solicitors and departmental officers based on their detailed knowledge of the circumstances.

The Council has an investment valued at £2.813m, representing a 100% shareholding in Cumbria Waste Management Limited, a private limited company. It has been determined that the Council does have control of the company and it is accounted for as a subsidiary of the Council. As the fair value of the shares cannot be determined and it does not have a quoted

market price in an active market, the investment is carried at cost as a proxy for fair value. There are also no established companies with similar aims in the Council's area whose shares are traded and which might provide comparable market data.

Judgement is required to determine whether the Council can be reasonably assured that the conditions of grant and contribution monies received have been met before recognising them as income in the Comprehensive Income and Expenditure Statement. Where conditions require specified expenditure to have taken place, the grant monies will not be recognised until this happens. Equally, where conditions specify that a grant or contribution must be repaid in the event of non-expenditure, the income is not recognised until the expenditure is incurred.

The Strategic Property and Investment Unit are required to exercise judgement in determining the carrying value of land, and buildings on the Council's Balance Sheet. During 2010/11 the previously outsourced property function responsible for valuations was brought back in-house. However, all the staff previously responsible for the valuation service transferred to the Council, thus ensuring continuity.

The Council owns a large and diverse range of property assets. During 2009/10 the Council impaired its general property base due to the national property market slump. Throughout 2010/11 the valuers have assessed that although the local market is stagnant there has been no further impairment.

Judgement is required in determining the significant components of property, plant and equipment assets and their related useful lives for accurate depreciation purposes. The Council quantity surveyors, valuers and accountants worked together to determine this. It has been judged that the useful lives of the Council's properties as they currently stand provide a depreciation charge that is an accurate proxy for component accounting purposes.

3. Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future, or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Council's Balance Sheet at 31 March 2011 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for operational buildings would increase by £0.2m for every year that useful lives had to be reduced.
Provisions	The Council made a provision of £4.677m for the settlement of claims for back pay arising from the Equal Pay initiative, based on the number of claims received and an average settlement amount. It is not certain that all valid claims have yet been received by the Council or that precedents set by other authorities in the settlement of claims will be applicable.	An increase over the forthcoming year of 10% in either the total number of claims or the estimated average settlement would each have the effect of adding £3m to the provision needed.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Mercers, a firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, for the LGPS a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £17.4m. For the Fire Pension Schemes a 0.25% increase in the discount rate assumption would result in a decrease in the pensions liability of £6.8m.
Arrears	At 31 March 2011, the Council had a balance of sundry debtors for £13.4m. The Council has a policy of making an allowance for doubtful debts or linked to the age of the debt and also the type of debt. The current allowance totals £2.774m. However, in the current economic climate it is not certain that such an allowance would be sufficient.	If collection rates were to deteriorate, a doubling of the amount of doubtful debts would require an additional £2.774m to set aside as an allowance.

4. Reconciliation between UK GAAP Statement of Accounts and Restated IFRS Accounts

The Statement of Accounts for 2010/11 is the first to be prepared on an IFRS basis. Adoption of the IFRS-based Code has resulted in the restatement of various balances and transactions, with the result that some amounts presented in the financial statements are different from the equivalent figures presented in the UK GAAP Statement of Accounts for 2009/10 including comparators for 2008/09.

The code requires the restatement of the Balance Sheet at 1 April 2009 and at 31 March 2010 and the restatement of the Comprehensive Income and Expenditure Statement for the year ending 31 March 2010.

The following tables show the total difference between the opening Balance Sheet at 1 April 2009 under the Code and under the previous Statement of Recommended Practice (SORP) and the difference in the Balance Sheets at 31 March 2010 presented in the 2009/10 audited financial statements and the equivalent 2009/10 comparative amounts presented in the 2010/11 financial statements.

Restated Balance Sheet at 1 April 2009

	2008/09 Original Published Balance Sheet £000	SORP Restatements Required for 2008/09 in 2009/10 £000	SORP Restated Balance Sheet 31/3/09 as per published 9/10 accounts £000	Total Changes for IFRS £000	Restated Balance Sheet 1/4/09 (IFRS) £000
Long Term Assets:					
Property, Plant & Equipment					
Other Land and Buildings	695,124		695,124	(900)	694,224
Vehicles, Plant, Furniture & Equipment	22,295	0	22,295	4,190	26,485
Infrastructure	212,320	0	212,320	0	212,320
Community Assets	52	0	52	0	52
Assets Under Construction	2,732	0	2,732	0	2,732
Surplus properties not held for sale	13,291	0	13,291	(5,806)	7,485
Total Property, Plant and Equipment	945,814	0	945,814	(2,516)	943,298
Investment Properties	60	0	60	1,172	1,232
Intangible Assets:					
Computer Software	0	0	0	9,280	9,280
Assets held for sale > 1 year	0	0	0	0	0
Long Term Investments	2,813	0	2,813	0	2,813
Long Term Debtors	3,044	0	3,044	(520)	2,524
Total Long Term Assets	951,731	0	951,731	7,416	959,147
Current Assets:					
Non current assets held for sale	0	0	0	1,273	1,273
Stocks and Work-in-Progress (Inventories)	667	0	667	0	667
Short Term Debtors and Prepayments	76,839	4,543	81,382	(780)	80,602
Short Term Investments	46,825	0	46,825	(5,700)	41,125
Cash at bank and in hand (Cash and Cash Equivalents)	19,971	0	19,971	7,000	26,971
Total Current Assets	144,302	4,543	148,845	1,793	150,638
Current Liabilities:					
Short Term Borrowings	0	(4,078)	(4,078)	0	(4,078)
Short Term Creditors	(115,381)	13,304	(102,077)	(10,695)	(87,001)
Capital Element of Finance Lease Rental	0	0	0	(3,097)	(3,097)
Revenue Grants Receipts in Advance	0	0	0	153	(25,618)
Short Term Provisions	(39,712)	0	(39,712)	2,960	(36,752)
Bank Overdraft	(9,303)	0	(9,303)	0	(9,303)
Total Current Liabilities	(164,396)	9,226	(155,170)	(10,679)	(165,849)
Long Term Liabilities:					
Long Term Borrowings	(258,630)	0	(258,630)	0	(258,630)
Capital Element of Finance Lease Rental	0	0	0	(5,798)	(5,798)
Capital Grants Receipts in Advance (Unapplied)	0	(14,490)	(14,490)	0	(14,490)
Long Term Provisions	0	0	0	(2,960)	(2,960)
Pensions Liability	(421,257)	0	(421,257)	0	(421,257)
Government Grants Deferred	(98,562)	0	(98,562)	98,562	0
Total Long Term Liabilities	(778,449)	(14,490)	(792,939)	89,804	(703,135)
Net Assets	153,188	(721)	152,467	88,334	240,801
Usable reserves					
General Fund Balance	12,290	0	12,290	0	12,290
Earmarked Reserves	52,001	0	52,001	153	52,154
Earmarked Capital Reserve	5,811	0	5,811	0	5,811
Usable Capital Receipts Reserve	152	0	152	0	152
Capital grants unapplied Reserve	0	0	0	0	0
Long Term Investment Reserve	2,813	0	2,813	0	2,813
	73,067	0	73,067	153	73,220
Unusable reserves					
Revaluation Reserve	124,687	0	124,687	(3,936)	120,751
Capital Adjustment Account	380,577	0	380,577	102,812	483,389
Deferred Capital Receipts	953	0	953	0	953
Pensions Reserve	(421,257)	0	(421,257)	0	(421,257)
Financial Instruments Adjustment Account	(588)	0	(588)	0	(588)
Collection Fund Adjustment Account	0	(721)	(721)	0	(721)
Accumulated absences account	0	0	0	(10,695)	(10,695)
Equal Pay Back Pay Account	(4,251)	0	(4,251)	0	(4,251)
	80,121	(721)	79,400	88,181	167,581
	153,188	(721)	152,467	88,334	240,801

Restated Balance Sheet 31 March 2010

	Restated Balance Sheet - 1/4/09 (IFRS) £000	SORP Balance Sheet Movements 2009/10 £000	Restated Balance Sheet 31/3/10 £000	Total Changes for IFRS £000	Restated Balance Sheet - 31/3/10 (IFRS) £000
Long Term Assets:					
Property, Plant & Equipment					
Other Land and Buildings	694,224	28,219	722,443	(1,999)	720,444
Vehicles, Plant, Furniture & Equipment	26,485	(4,328)	22,157	(1,041)	21,116
Infrastructure	212,320	43,610	255,930	0	255,930
Community Assets	52	0	52	0	52
Assets Under Construction	2,732	27,050	29,782	0	29,782
Surplus properties not held for sale	7,485	(3,219)	4,266	6,000	10,266
Total Property, Plant and Equipment	943,298	91,332	1,034,630	2,960	1,037,590
Investment Properties	1,232	2,319	3,551	(2,319)	1,232
Intangible Assets	9,280	0	9,280	7,303	16,583
Assets held for sale > 1 year	0	0	0	0	0
Long Term Investments	2,813	0	2,813	0	2,813
Long Term Debtors	2,524	(520)	2,004	250	2,254
Total Long Term Assets	959,147	93,131	1,052,278	8,194	1,060,472
Current Assets:					
Non Current Assets Held for Sale	1,273	0	1,273	(779)	494
Inventories	667	(229)	438	0	438
Short Term Debtors	80,602	(2,140)	78,462	956	79,418
Short Term Investments	41,125	19,702	60,827	(24,333)	36,494
Cash and Cash Equivalents	26,971	(9,729)	17,242	23,127	40,369
Total Current Assets	150,638	7,604	158,242	(1,029)	157,213
Current Liabilities:					
Short Term Borrowings	(4,078)	(702)	(4,780)	0	(4,780)
Short Term Creditors	(87,001)	1,946	(85,055)	1,342	(83,713)
Capital Element of Finance Lease Rental	(3,097)	0	(3,097)	(2,787)	(5,884)
Revenue Grants Receipts in advance	(25,618)	3,011	(22,607)	386	(22,221)
Short Term Provisions	(36,752)	31,635	(5,117)	2,565	(2,552)
Bank Overdraft	(9,303)	(1,245)	(10,548)	0	(10,548)
Total Current Liabilities	(165,849)	34,645	(131,204)	1,506	(129,698)
Long Term Liabilities:					
Long Term Borrowings	(258,630)	(37,434)	(296,064)	0	(296,064)
Other long term liabilities	(5,798)		(5,798)	171	(5,627)
Capital Grants Receipts in advance	(14,490)	(29,982)	(44,472)	225	(44,247)
Long Term Provisions	(2,960)	0	(2,960)	(2,565)	(5,525)
Pension Liability	(421,257)	(210,716)	(631,973)	0	(631,973)
GGDA (UK GAAP ONLY)	0	(33,440)	(33,440)	33,440	0
Total Long Term Liabilities	(703,135)	(311,572)	(1,014,707)	31,271	(983,436)
Net Assets	240,801	(176,192)	64,609	39,942	104,551
Usable reserves					
General Fund Balance	12,290	(2,240)	10,050	0	10,050
Earmarked Reserves	52,154	4,645	56,799	386	57,185
Earmarked Capital Reserve	5,811	(2,960)	2,851	0	2,851
Usable Capital Receipts Reserve	152	41	193	0	193
Capital grants Unapplied Reserve	0		0	0	0
Long Term Investment Reserve	2,813	0	2,813	0	2,813
	73,220	(514)	72,706	386	73,092
Unusable reserves					
Revaluation Reserve	120,751	49,124	169,875	124	169,999
Capital Adjustment Account	483,389	(18,808)	464,581	37,865	502,446
Deferred Capital Receipts	953	(409)	544	0	544
Pensions Reserve	(421,257)	(210,716)	(631,973)	0	(631,973)
Financial Instruments Adjustment Account	(588)	0	(588)	0	(588)
Collection Fund Adjustment Account	(721)	880	159	0	159
Accumulated absences adjustment account	(10,695)	0	(10,695)	1,567	(9,128)
Unequal Pay Back Pay Account	(4,251)	4,251	0	0	0
	167,581	(175,678)	(8,097)	39,556	31,459
	240,801	(176,192)	64,609	39,942	104,551

Restated Comprehensive Income and Expenditure Statement 2009/10

	SORP 2009/10 I&E/STRGL FIGURES	Total I&E Adjustments	Restated CI&E
	£000	£000	£000
Central Services to the Public - gross expenditure	1,862	0	1,862
Court Services - gross expenditure	980	0	980
Central Services to the Public - gross income	(1,180)	0	(1,180)
Court Services - gross income	0	0	0
Cultural, Environmental, Regulatory and Planning Services - gross expenditure	60,263	(17)	60,246
Cultural, Environmental, Regulatory and Planning Services - gross income	(12,132)	314	(11,818)
Children's and Education Services - gross expenditure	521,408	(1,599)	519,809
Children's and Education Services - gross income	(412,207)	6,732	(405,475)
Highways and Transport Services - gross expenditure	50,272	18	50,290
Highways and Transport Services - gross income	(11,479)	981	(10,498)
Adult Social Work - gross expenditure	190,276	8	190,284
Adult Social Work - gross income	(62,313)	41	(62,272)
Fire and Rescue Services - gross expenditure	23,490	(3)	23,487
Fire and Rescue Services - gross income	(773)	(100)	(873)
Corporate and Democratic Core - gross expenditure	7,123	(3,540)	3,583
Corporate and Democratic Core - gross income	(557)	38	(519)
Non Distributed Costs - gross expenditure	1,720	0	1,720
Non Distributed Costs - gross income	0	0	0
Equal Pay	5,149	0	5,149
Cost Of Services	361,902	2,874	364,776
<u>Other Operating Expenditure</u> - Gains or Losses on disposal of Fixed Assets (excluding Investment Property)	(905)	0	(905)
<u>Other Operating Expenditure</u> - Precepts and Contributions	798	0	798
<u>Other Operating Expenditure</u> - Surplus or deficit on trading undertakings not included in Cost of Services (incl dividends where relevant)	626	(1,014)	(388)
<u>Financing & Investment Income</u> - interest payable & similar charges	13,029	272	13,301
<u>Financing & Investment Income</u> - Interest & Investment income	(2,052)	0	(2,052)
<u>Financing & Investment Income</u> - Pensions interest cost & expected return on pensions assets	34,117	0	34,117
<u>Financing & Investment Income</u> - Investment property income, expenditure & changes in fair value & gains or losses on disposal Investment Property	0	(150)	(150)
<u>Financing & Investment Income</u> - Other investment income	0	0	0
<u>Taxation and Non-Specific Grant Income</u> - Council Tax/Community Charge	(201,392)	0	(201,392)
<u>Taxation and Non-Specific Grant Income</u> - Non-ring-fenced Government Grants (RSG & Non-specific Grants etc)	(58,662)	0	(58,662)
<u>Taxation and Non-Specific Grant Income</u> - Recognised Capital Income (Grants, Contributions & Donations)	0	(41,835)	(41,835)
<u>Taxation and Non-Specific Grant Income</u> - Non-domestic rate redistribution	(111,672)	0	(111,672)
(Surplus) or Deficit on Provision of Services	35,789	(39,853)	(4,064)
Surplus or deficit on revaluation of non-current assets	(53,375)	(393)	(53,768)
Surplus or deficit on revaluation of available for sale financial assets	0	0	0
Actuarial gains / losses on pension assets / liabilities	193,681	0	193,681
Other unrealised gains / losses	0	0	0
	97		97
Other Comprehensive Income and Expenditure	140,403	(393)	140,010
Total Comprehensive Income and Expenditure	176,192	(40,246)	135,946

The following tables explain the material differences between the amounts presented in the UK GAAP 2009/10 financial statements and the equivalent amounts presented as comparators in the IFRS 2010/11 financial statements.

Short-term accumulating compensated absences

Short term accumulating absences refers to benefits that employees receive as part of their contract of employment, entitlement to which is built up as they provide services to the council. The most significant benefit covered by this heading is holiday pay.

Employees build up an entitlement to paid holidays as they work. Under the Code, the cost of providing holidays and similar benefits is required to be recognised when employees render services that increase their entitlement to future compensated absences. In other words, staff have provided the Council with additional days work which need to be accounted for and included in the cost of service delivery. As a result, the council is required to accrue for any annual leave earned but not taken at 31 March each year. Under the previous accounting arrangements, no such accrual was calculated.

The government has issued regulations that mean local authorities are only required to fund holiday pay and similar benefits when they are used, rather than when employees earn the benefits. This negates the cost from being a real charge to Council taxpayers and so the amounts are transferred to the Accumulated Absences Account until the benefits are used.

Accruing for short-term accumulating compensated absences has resulted in the following changes being made to the financial statements:

	2008/09 UK GAAP Published Balance Sheet £000	Adjustments made for employee accrual £000	Restated IFRS statements 1.4.09 £000	Adjustments made – UK GAAP £000	Adjustments made – IFRS – reduction in employee accrual from 2008/09 £000	Restated IFRS Balance Sheet 31.3.10 £000
Current Liabilities:Creditors (restated to exclude Revenue Grants Receipts in Advance)	76,306	10,695	87,001	(1,946)	(1,567)	83,488
Accumulated Absences Account	0	10,695		0	(1,567)	9,128

2009/10 IFRS Comprehensive Income and Expenditure Statement

	2009/10 UK GAAP Cost of Services (Net) £000	2008/09 Employee benefit accrual reversed £000	2009/10 Employee benefit accrual included £000
Children and Education services	109,201	(9,679)	+8,081
Cultural, Environmental, Regulatory and Planning Services	48,131	(62)	+45
Fire and Rescue Services	22,717	(95)	+92
Highways and Transport Services	38,793	(139)	+157
Adult Social work	127,963	(691)	+698
Central Services to the Public	682	0	0
Court Services	980	0	0
Corporate & Democratic Core	6,566	(29)	+55
Non Distributed Costs	1,720	0	0
Equal Pay	5,149	0	0
Total	361,902	(10,695)	+9,128

Leases

Under the Code, leases of property are accounted for as separate leases of land and buildings. Previously each property lease would have been accounted for as a single lease. The change in accounting treatment can result in the land or buildings element of the lease being accounted for as an operating lease where it was previously treated as a finance lease; or as a finance lease where it was previously treated as an operating lease.

The government has issued regulations and statutory guidance in relation to accounting for leases. Under these arrangements, the annual charge to the General Fund (where the council is the lessee) will be unchanged. Where the council is the lessor, the regulations allow the council to continue to treat the income from existing leases in the same way as it accounted for the income prior to the introduction of the Code.

The Council has reviewed its lessee finance leases (leases into the County Council) and determined that a number of existing finance leases should be reclassified as operating leases. This has resulted in the assets being removed from the County Council balance sheet along with any associated liability.

This has resulted in the following changes being made to the IFRS 2009/10 financial statements:

	2008/09 UK GAAP Balance Sheet £000	Land element of finances leases reclassified as operating lease £000	Adjustments made		Other non lease changes £000	Restated IFRS Balance Sheet 1.4.09 £000
			User right leases changed from finance lease to operating lease £000	Other finance leases reclassified as operating leases £000		
Land Buildings	695,124	(1,649)	(1,232)	(1371)	+3,352	694,224

Government Grants – Capital

Under the Code, grants and contributions for capital schemes are recognised as income when they become receivable. Previously, grants were held in a grants deferred account and recognised as income over the life of the assets which they were used to fund.

As a consequence of adopting the accounting policy required by the Code, the financial statements have been amended as follows:

- The balance on the Government Grants Deferred Account at 31 March 2009 has been transferred to the Capital Adjustment Account in the opening 1 April 2009 Balance sheet.
- Portions of government grants deferred were previously recognised as income in 2009/10; these have been removed from the CI&E in the comparative figures.
- Capital Grants Unapplied Account within Liabilities has been renamed as the Capital Grants Receipts in Advance Account.
- A new Capital Grants Unapplied Account within the Reserves part of the Balance Sheet has been established.

1st April 2009 Balance Sheet

	2008/9 UK GAAP Balance Sheet £000	Adjustments made for 1.4 09 IFRS Balance Sheet £000
Government Grants Deferred Account	98,562	(98,562)
Capital Adjustment Account	380,577	+98,562
Capital Grants unapplied (liabilities)	14,490	(14,490)
Capital Grants Receipts in Advance (Liabilities)	0	+14,490

31st March 2010 Balance sheet

	2009/10 UK GAAP Balance Sheet £000	Adjustments made for 31.3.10 IFRS Balance Sheet £000
Government Grants Deferred Account	132,002	(98,562) from 08/09 (33,440) from 09/10
Capital Adjustment Account	361,769	+98,562 from 08/09 +33,440 from 09/10
Capital Grants Unapplied (liabilities)	14,490	(14,490) from 08/09
Capital Grants Receipts in Advance (Liabilities)	0	+14,490 from 08/09 +29,982 from 09/10
Capital Grants Unapplied Account (reserves)	0	0

2009/10 IFRS Comprehensive Income and Expenditure Statement

	2009/10 UK GAAP Cost of Services (Net) £000	2009/10 IFRS Government Grant amortisation reversed £000
Children and Education Services	109,201	+6,972
Cultural, Environmental, Regulatory and Planning Services	48,131	+307
Fire and Rescue Services	22,717	+31
Highways and Transport Services	38,793	+981
Adult Social work	127,963	+64
Central Services to the Public	682	0
Court Services	980	0
Corporate & Democratic Core	6,566	+13
Non Distributed Costs	1,720	0
Equal Pay	5,149	0
Total	361,902	+8,368

Government Grants – Revenue

Under the Code revenue grants, third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- the Council will comply with the conditions attached to the payments; and
- the grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. If there is reasonable assurance that the contribution will be met, but this has not yet occurred, any grant / contributions received will be held on the Balance sheet as Revenue Grant Receipt in Advance(in Liabilities).

When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants/contributions) or Taxation and Non-Specific Grant Income (non-ring-fenced revenue grants) in the Comprehensive Income and Expenditure Statement.

Where revenue grants are credited to the Comprehensive Income and Expenditure Statement and the grant has yet to be used to finance revenue expenditure, and there are restrictions as to how the monies are to be applied, an earmarked reserve will be established and the monies transferred into the earmarked reserve through the Movement in Reserves Statement. When the grant is applied, an amount equal to the expenditure may then be transferred back from the earmarked reserve to the General Fund.

As a consequence of adopting this accounting policy a number of revenue grants have been subsequently recognised as income through the Comprehensive Income and Expenditure Statement in 2009/10 and transferred to earmarked reserves. As the earmarked reserves have been utilised the amounts have been transferred back to General Fund via the

Movement in Reserves Statement. The following table summarises the changes:

	2008/9 UK GAAP Balance Sheet £000	IFRS Adjustments – Revenue transferred to earmarked reserves £000	Restated IFRS Balance Sheet 1.4.09 £000	Adjustments made – UK GAAP £000	Adjustments made – IFRS – Revenue transferred to/ from earmarked reserves £000	Restated IFRS Balance Sheet 31.3.10 £000
Revenue grants receipts in advance	25,771	(153)	25,618	(3,011)	(386)	22,221
Earmarked Reserves	52,001	+153	52,154	+4,645	+386	57,185

2009/10 IFRS Comprehensive Income and Expenditure Statement

	2009/10 UK GAAP Cost of Services (Net) £000	2009/10 IFRS changes Revenue grants recognised as income in year £000	2009/10 IFRS changes Expenditure from earmarked reserves rather than recognising income £000
Children and Education Services	109,201	+240	
Cultural, Environmental, Regulatory and Planning Services	48,131	+2	(9)
Fire and Rescue Services	22,717	+131	
Highways and Transport Services	38,793	0	
Adult Social work	127,963	+22	
Central Services to the Public	682	0	
Court Services	980	0	
Corporate & Democratic Core	6,566	0	
Non Distributed Costs	1,720	0	
Equal Pay	5,149	0	
Total	361,902	+395	(9)

Current v Non Current

Throughout the implementation of IFRS there is a requirement to separate current (less than 12 months) and non- current assets and liabilities. In many cases this analysis was already undertaken but for some transactions additional analysis was required:

Provisions

1 April 2009 Balance Sheet

	2008/9 UK GAAP Balance Sheet £000	Adjustments made £000	Restated IFRS Balance Sheet 1.4.09 £000
Provisions – Long term liabilities	0	+2,960	2,960
Provisions < 1 year	39,712	(2,960)	36,752
Total	39,712	0	39,712

31 March 2010 Balance Sheet

	2009/10 UK GAAP Balance Sheet £000	Restated IFRS Balance Sheet 1.4.09 £000	Adjustments made in 9/10 IFRS £000	Restated IFRS Balance Sheet 31.3.2010 £000
Provisions – Long term liabilities	0	2,960	+2,565	5,525
Provisions < 1 year	8,077	5,117	(2,565)	2,552
Total	8,077	8,077	0	8,077

Long Term Debtors

1 April 2009 Balance Sheet

	2008/9 UK GAAP Balance Sheet £000	Adjustments made IFRS £000	Adjustments made – accrued interest changes £000	Restated IFRS Balance Sheet 1.4.09 £000
Debtors – Long term liabilities	3,044	(520)		2,524
Debtors < 1 year	81,382	+520	(1,300)	80,602
Total	84,426	0	(1,300)	83,126

31 March 2010 Balance Sheet

	2009/10 UK GAAP Balance Sheet £000	Restated IFRS Balance Sheet 1.4.09 £000	Adjustments made SORP £000	Adjustments made IFRS £000	Adjustments made – accrued interest changes £000	Restated IFRS Balance Sheet 31.3.2010 £000
Debtors– Long term liabilities	2,524	2,524	(520)	250		2,254
Debtors < 1 year	79,242	80,602	(2,140)	(250)	+1,206	79,418

Embedded leases

The Code requires authorities to review their contractual arrangements and assess whether these contracts contain, in substance, a lease. The Council has a seven year contract with Agilisys to deliver ICT services and it has been determined that within that contract there are lease arrangements in place for both hardware and software items. The leases have subsequently been determined as being finance leases and hence the assets have been included as Council assets with corresponding liabilities.

The hardware has been included as vehicles, plant, furniture and equipment whilst the software items have been included as intangible assets.

The following table show the changes to the balance sheet and Comprehensive Income and Expenditure Statement as a result of these transactions.

	2008/09 UK GAAP Balance Sheet £000	IFRS Adjustments – Recognising finance lease assets £000	IFRS Adjustments Held for sale £000	Restated IFRS Balance Sheet 1.4.09 £000
Vehicles, plant, furniture and Equipment	22,295	+4,199	(9)	26,485
Intangible assets	0	+9,280	0	9,280

	Restated IFRS Balance Sheet 1.4.09 £000	Adjustments made – UK GAAP 09/10 £000	Adjustments made – IFRS Depreciation 09/10 £000	Adjustments made – IFRS Recognising assets 09/10 £000	IFRS Adjustments Held for sale £000	Restated IFRS Balance Sheet 31.3.10 £000
Vehicles, plant, furniture and Equipment	26,485	(4,328)	(1,050)	0	+9	21,116
Intangible assets	9,280	0	(1,856)	+9,159	0	16,583

5. Items of Material Income and Expense

The Council has considered items within the Comprehensive Income and Expenditure Statement and the following items are included but have not been disclosed separately.

The Council has made significant payments to the following contractors that are not disclosed separately:-

- Shanks Waste Management Ltd of £21.1m in respect of the Public Private Partnership for Waste Management.
- Connect CNDR Ltd of £6.6m in respect of the construction of the Carlisle Northern Development Route.
- Capita Symonds Ltd of £26.4m in respect of the supply of professional services for design, building services, land and property management.
- Agilysis Ltd of £14.7m in respect of the provision of Information Communication and Technology services.
- Amey Ltd of £57.9m in respect of the provision of highways related services.

The Council received grant income for the funding of 16-18 year olds in Further Education colleges of £12.2m which was paid out in the year to those colleges.

The Council received income from Cumbria Primary Care Trusts in respect of the Joint Commissioning Pooled Budget. Note 34 sets out pooled budget arrangements.

6. Events After the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Assistant Director – Finance on 30th June 2011. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2011, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

7. Adjustments Between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the total Comprehensive Income and Expenditure Statement recognised by the Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

2009/10 Movement in Reserves Statement

	General Fund £000	Earmarked Reserves £000	Earmarked Capital Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied Account £000	Long term investment reserve £000	Total Usable Reserves £000	Revaluation Reserve £000	Capital Adjustment Account £000	Deferred Capital Receipt £000	Pension Reserve £000	Financial Instruments Adjustment Account £000	Collection Fund Adjustment Account £000	Accumulated Absences Account £000	Unequal pay back account £000	Total Unusable reserves £000	Total Reserves £000
Balance at 31 March 2009	12,290	52,154	5,811	152	0	2,813	73,220	120,751	483,389	953	(421,257)	(588)	(721)	(10,695)	(4,251)	167,581	240,801
Movement in Reserves during 2009/10																	
Surplus/(deficit) on the provision of services	4,064	0	0	0	0	0	4,064	0	0	0	0	0	0	0	0	0	4,064
Other Comprehensive Income and Expenditure (STRGL)	0	0	0	0	0	0	0	53,768	0	0	(193,681)	0	(97)	0	0	(140,010)	(140,010)
Total Comprehensive Income and Expenditure	4,064	0	0	0	0	0	4,064	53,768	0	0	(193,681)	0	(97)	0	0	(140,010)	(135,946)
Adjustments between accounting basis and funding basis under regulations (Note 7)																	
Depreciation and impairment of fixed assets	46,827	0	0	0	0	0	46,827	0	(46,827)	0	0	0	0	0	0	(46,827)	0
Revenue Expenditure Funded from Capital Under Statute	30,457	0	0	0	0	0	30,457	0	(30,457)	0	0	0	0	0	0	(30,457)	0
Grants on revenue expenditure funded from capital under statute	(29,469)	0	0	0	0	0	(29,469)	0	29,469	0	0	0	0	0	0	29,469	0
Gains and losses on disposal of fixed assets	(905)	0	0	0	0	0	(905)	0	0	0	0	0	0	0	0	0	(905)
Use of capitalisation direction	5,149	0	0	0	0	0	5,149	0	(5,149)	0	0	0	0	0	0	(5,149)	0
Collection fund adjustment	(977)	0	0	0	0	0	(977)	0	0	0	0	0	977	0	0	977	0
Minimum Revenue Provision	(13,874)	0	0	0	0	0	(13,874)	0	13,874	0	0	0	0	0	0	13,874	0
Capital expenditure charged to the general fund balance	(6,364)	0	0	0	0	0	(6,364)	0	6,364	0	0	0	0	0	0	6,364	0
Employers contributions payable to pension funds	(41,503)	0	0	0	0	0	(41,503)	0	0	0	41,503	0	0	0	0	41,503	0
FRS 17 retirement benefit charges	58,538	0	0	0	0	0	58,538	0	0	0	(58,538)	0	0	0	0	(58,538)	0
Balance of receipts received and used	0	0	0	41	0	0	41	0	0	0	0	0	0	0	0	0	41
Receipts used in financing	0	0	0	0	0	0	0	0	2,640	(409)	0	0	0	0	0	2,231	2,231
Port of Workington impairment charged to RR in UK GAAP accounts	0	0	0	0	0	0	0	(1,041)	1,041	0	0	0	0	0	0	0	0
NBV of disposal of fixed assets	0	0	0	0	0	0	0	0	(1,385)	0	0	0	0	0	0	(1,385)	(1,385)
Adjustments from 8/9	0	0	0	0	0	0	0	(349)	349	0	0	0	0	0	0	0	0
Revaluation gains on disposal	0	0	0	0	0	0	0	(539)	539	0	0	0	0	0	0	0	0
CV to HC depreciation	0	0	0	0	0	0	0	(2,333)	2,333	0	0	0	0	0	0	0	0
IFRS adjustments																	
Investment property Revaluation through CI&E	(125)	0	0	0	0	0	(125)	(125)	125	0	0	0	0	0	0	0	(125)
Accumulated absence account adjustment	(1,567)	0	0	0	0	0	(1,567)	0	0	0	0	0	0	1,567	0	1,567	0
Capital grants reversed from CI&E- applied amount put to CAA	(41,835)	0	0	0	0	0	(41,835)	0	41,835	0	0	0	0	0	0	41,835	0
Impairment of fixed assets - credited to CI&E reversed out	(1,041)	0	0	0	0	0	(1,041)	0	0	0	0	0	0	0	0	0	(1,041)
Reversal of depreciation charged on assets written out as operating leases in 1.4.09	(50)	0	0	0	0	0	(50)	0	50	0	0	0	0	0	0	50	0
Reversal of additions to assets written out as operating leases in 1.4.09	0	0	0	0	0	0	0	0	(82)	0	0	0	0	0	0	(82)	(82)
Reversal of impairments in 9/10 to assets written out as operating leases in 1.4.09	0	0	0	0	0	0	0	(27)	0	0	0	0	0	0	0	(27)	(27)
Agilisys HR Trent reversals - liability for MRP	(1,101)	0	0	0	0	0	(1,101)	0	1,101	0	0	0	0	0	0	1,101	0
Agilisys E Proc - reversals liability for MRP	(934)	0	0	0	0	0	(934)	0	934	0	0	0	0	0	0	934	0
Agilisys Customer Access - reversals liability for MRP	(1,018)	0	0	0	0	0	(1,018)	0	1,018	0	0	0	0	0	0	1,018	0
Agilisys ESCR - reversals liability for MRP	(797)	0	0	0	0	0	(797)	0	797	0	0	0	0	0	0	797	0
Agilisys E Proc - reversals depreciation	667	0	0	0	0	0	667	0	(667)	0	0	0	0	0	0	(667)	0
Agilisys E Proc - current cost depreciation adjustment	0	0	0	0	0	0	0	(42)	42	0	0	0	0	0	0	0	0
Agilisys E 5 -reversals liability for MRP	(1,421)	0	0	0	0	0	(1,421)	0	1,421	0	0	0	0	0	0	1,421	0
Agilisys E 5 - reversals depreciation	1,189	0	0	0	0	0	1,189	0	(1,189)	0	0	0	0	0	0	(1,189)	0
Agilisys E 5 - current cost depreciation adjustment	0	0	0	0	0	0	0	(75)	75	0	0	0	0	0	0	0	0
Agilisys Hardware reversals liability for MRP	(879)	0	0	0	0	0	(879)	0	879	0	0	0	0	0	0	879	0
Agilisys Hardware- reversals depreciation	1,050	0	0	0	0	0	1,050	0	(1,050)	0	0	0	0	0	0	(1,050)	0
Childrens Services grants transferred to earmarked reserves	(240)	240	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
HLF volunteers earmarked reserve transfer to general fund	9	(9)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Archive volunteers transfer to earmarked reserves	(2)	2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
HIV/ Aids support transfer to earmarked reserves	(22)	22	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
s31 ECSV (fire) grant	(131)	131	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Adjustments	1	0	0	0	0	0	1	11	6	0	0	0	0	0	0	17	18
Adjustments between accounting basis and funding basis under regulations (Note 7)	(368)	386	0	41	0	0	59	(4,520)	19,057	(409)	(17,035)	0	977	1,567	0	(363)	(304)
Net Increase/(Decrease) before Transfers to Earmarked Reserves	3,696	386	0	41	0	0	4,123	49,248	19,057	(409)	(210,716)	0	880	1,567	0	(140,373)	(135,964)
Transfers (to)/from Earmarked Reserves (Note 8)	(5,936)	4,645	(2,960)				(4,251)								4,251	4,251	0
Increase/Decrease in 2009/10	(2,240)	5,031	(2,960)	41	0	0	(128)	49,248	19,057	(409)	(210,716)	0	880	1,567	4,251	(136,122)	(136,250)
MIRS Balance at 31 March 2010	10,050	57,185	2,851	193	0	2,813	73,092	169,999	502,446	544	(631,973)	(588)	159	(9,128)	0	31,459	104,551

2010/11 Movement in Reserves Statement

	General Fund £000	Earmarked Reserves £000	Earmarked Capital Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied Account £000	Long term investment reserve £000	Total Usable Reserves £000	Revaluation Reserve £000	Capital Adjustment Account £000	Deferred Capital Receipt £000	Pension Reserve £000	Financial Instruments Adjustment Account £000	Collection Fund Adjustment Account £000	Accumulated Absences Account £000	Unequal pay back pay account £000	Total Unusable reserves £000	Total Reserves £000
Balance at 31 March 2010	10,050	57,185	2,851	193	0	2,813	73,092	169,999	502,446	544	(631,973)	(588)	159	(9,128)	0	31,459	104,551
Movement in Reserves during 2010/11																	
Surplus/(deficit) on the provision of services	44,595	0	0	0	0	0	44,595	0	0	0	0	0	0	0	0	0	44,595
Other Comprehensive Income and Expenditure (STRGL)	0	0	0	0	0	0	0	(7,907)	0	0	127,082	0	0	0	0	119,175	119,175
Total Comprehensive Income and Expenditure	44,595	0	0	0	0	0	44,595	(7,907)	0	0	127,082	0	0	0	0	119,175	163,770
Adjustments between accounting basis and funding basis under regulations (Note 7)																	
Depreciation of fixed assets	29,973	0	0	0	0	0	29,973	0	(29,973)	0	0	0	0	0	0	(29,973)	0
Impairment of fixed assets	115	0	0	0	0	0	115	0	(115)	0	0	0	0	0	0	(115)	0
Revaluation Losses on Property, Plant & Equipment	48,029	0	0	0	0	0	48,029	0	(48,029)	0	0	0	0	0	0	(48,029)	0
Revenue Expenditure Funded from Capital Under Statute	27,388	0	0	0	0	0	27,388	0	(27,388)	0	0	0	0	0	0	(27,388)	0
Grants on revenue expenditure funded from capital under statute	(23,268)	0	0	0	0	0	(23,268)	0	23,268	0	0	0	0	0	0	23,268	0
Gains and losses on disposal of fixed assets	30,359	0	0	0	0	0	30,359	0	(30,359)	0	0	0	0	0	0	(30,359)	0
Use of capitalisation direction	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Collection fund adjustment account	(857)	0	0	0	0	0	(857)	0	0	0	0	0	857	0	0	857	0
Accumulated Absences Adjustment	3,866	0	0	0	0	0	3,866	0	0	0	0	0	0	(3,866)	0	(3,866)	0
Minimum Revenue Provision	(21,017)	0	0	0	0	0	(21,017)	0	21,017	0	0	0	0	0	0	21,017	0
Capital expenditure charged to the general fund balance	(9,115)	0	2,480	0	0	0	(6,635)	0	6,635	0	0	0	0	0	0	6,635	0
Employers contributions payable to pension funds	(40,715)	0	0	0	0	0	(40,715)	0	0	0	40,715	0	0	0	0	40,715	0
FRS 17 retirement benefit charges	(6,836)	0	0	0	0	0	(6,836)	0	0	0	6,836	0	0	0	0	6,836	0
Balance of receipts received and used	0	0	0	2,509	0	0	2,509	0	0	(410)	0	0	0	0	0	(410)	2,099
Receipts used in financing	0	0	0	(1,874)	0	0	(1,874)	0	1,874	0	0	0	0	0	0	1,874	0
Deferred capital receipts	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
CGUA used in financing	(70,600)	0	0	0	388	0	(70,212)	0	70,212	0	0	0	0	0	0	70,212	0
Donated Assets	(514)	0	0	0	0	0	(514)	0	514	0	0	0	0	0	0	514	0
Difference between current value and historic cost depreciation on revalued assets	0	0	0	0	0	0	0	(6,431)	6,431	0	0	0	0	0	0	0	0
Other movements	0	0	0	0	0	0	0	0	(2,787)	0	0	0	0	0	0	(2,787)	(2,787)
Adjustments between accounting basis and funding basis under regulations (Note 7)	(33,192)	0	2,480	635	388	0	(29,689)	(6,431)	(8,700)	(410)	47,551	0	857	(3,866)	0	29,001	(688)
Net Increase/(Decrease) before Transfers to Earmarked Reserves	11,403	0	2,480	635	388	0	14,906	(14,338)	(8,700)	(410)	174,633	0	857	(3,866)	0	148,176	165,869
Transfers (to)/from Earmarked Reserves (Note 8)	(6,586)	6,586	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Increase/(Decrease) in 2010/11	4,817	6,586	2,480	635	388	0	14,906	(14,338)	(8,700)	(410)	174,633	0	857	(3,866)	0	148,176	163,082
MIRS Balance at 31 March 2011	14,867	63,771	5,331	828	388	2,813	87,998	155,661	493,746	134	(457,340)	(588)	1,016	(12,994)	0	179,635	267,633

8. Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund and transferred to earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2010/11.

Directorates

The Council has a long-established practice of allowing over and under spending on approved budgets within Directorates to be carried forward to the following financial year – although the 2010/11 year-end exercise saw a targeted approach being adopted for the third year running. Although these balances are, provisionally, earmarked to the Services concerned, they form part of the Council's overall revenue balances and can be used by the Council for any other purpose, should they so choose.

Equal Pay/Single Status/Modernisation Reserve

Over a number of years the Council has set aside funds to meet the cost of both Equal Pay claims and the implementation of Single Status. At 1st April 2010 the balance on this reserve was £39.411m.

As a result of the future funding situation facing the Council, it decided to implement a voluntary redundancy scheme in November 2010, to assist in delivering the savings required following the Comprehensive Spending Review. The cost of the voluntary redundancies is to be met from this Reserve. In 2010/11 the Council has drawn down £7.023m from the reserve in respect of voluntary redundancies.

Revenue Grants

The Revenue Grants reserve is a new reserve required to comply with IFRS. Where revenue grants have been received, and there are no conditions i.e. no possibility or requirement to pay back the grant, then, irrespective of which year the money is for it must go through the Comprehensive Income & Expenditure Statement as income and later in the Movement In Reserves Statement be transferred to an earmarked reserve. The balance at 31st March 2011 includes £4.699m Performance Reward Grant to be spent in conjunction with partners in 2011/12, and the PFI grant to support the Carlisle Northern Development Road of £14.307m.

Insurance

The Council self insures a proportion of its risks in order to reduce its costs of insurance. Each year funding is set aside to meet claims on that self insurance, the funds set aside have been segregated into two elements – a provision and a reserve. The insurance provision (note 25) represents the sum estimated to meet claims identified at 31st March 2011. The estimate is based on the advice of consulting actuaries 'Marsh Risk Consulting'. The balance of funding is held in an insurance reserve to support the on-going self-insurance programme for the period to 31st March 2011.

Schools/Community Development Centres

Under the provisions of the Education Reform Act 1988, the governors of schools became responsible for managing their own budgets from 1 April 1990. The total budget available to governors is based on a local formula

approved by the Secretary of State for Education. Any over or under spending by the governors is carried forward to the following year. Whilst such sums form part of the Council's revenue balances, they are not available to the Council when managing the finances of the Council. Delegated Funds surpluses and deficits by Schools and Community Development Centres were as shown below. It should be emphasised that these surpluses and deficits relate solely to Delegated Funds. Standards Fund grant income is received in advance from Government. It is treated as a creditor (note 24) and is not part of the Council's reserves.

8.1 Transfers to/from Earmarked Reserves

Earmarked Reserves	Balance at 31 March 2009 £000	Transfers Out 2009/10 £000	Transfers In 2009/10	Balance at 31 March 2010	Transfers Out 2010/11 £000	Transfers In 2010/11 £000	Balance at 31 March 2011 £000
Directorates:							
Adult and Local Services	0	0	1,495	1,495	(1,495)	0	0
Environment	270	0	1,168	1,438	(33)	2,138	3,543
Safer & Stronger Communities	307	0	0	307	0	247	554
Local Committees	0	0	1,949	1,949	(1,949)	605	605
Resources	228	(228)	550	550	(140)	0	410
Organisational Development	168	(168)	0	0	0	0	0
Children's Services – HQ budgets	(16)	0	99	83	0	29	112
Community Development & Adult Education Centres	66	(66)	12	12	(36)	0	(24)
Children's Services – transport smoothing	(439)	0	170	(269)	0	269	0
Improvement and Efficiency Reserve	1,300	(60)	60	1,300	(1,185)	320	435
Elections	448	(500)	119	67	0	119	186
Sea Fisheries Boat Replacement	500	0	103	603	0	103	706
Other Services	1,161	(654)	6	513	(162)	982	1,333
Equal Pay & Modernisation	38,792	(8,381)	9,000	39,411	(8,689)	820	31,542
Revenue Grants	153	0	4,266	4,416	(307)	15,504	19,613
	42,938	(10,057)	18,994	51,875	(13,996)	21,136	59,015
Insurance	3,120	(437)	362	3,045	0	1,357	4,402
Delegated Schools Budgets and Ring Fenced Schools Related:							
Schools	6,831	(8,434)	4,347	2,744	(1,017)	0	1,727
Children's services - DSG ring- fenced to schools	(735)	(2,264)	2,520	(479)	(1,006)	112	(1,373)
	6,096	(10,698)	6,867	2,265	(2,023)	112	354
Total Revenue Earmarked Reserves	52,154	(21,192)	26,223	57,185	(16,019)	22,605	63,771
Revenue Reserves to be used for Capital Purposes							
Capital Reserve - Earmarked	4,200	(2,817)	570	1,953	0	2,480	4,433
Capital Reserves – General	1,611	(713)	0	898	0	0	898
Total Revenue Reserves for Capital Purposes	5,811	(3,530)	570	2,851	0	2,480	5,331
Total Revenue Earmarked Reserves	57,965	(24,722)	26,793	60,036	(16,019)	25,085	69,102

8.2 Schools Earmarked Reserves

Schools Earmarked Reserves	31 March 2011		31 March 2010	
	No.	£000	No.	£000
Schools in surplus	207	9,793	215	11,220
Schools in deficit	111	(8,066)	107	(8,476)
	318	1,727	322	2,744
Children's services - DSG ring-fenced to schools		(1,373)		(479)
Total		354		2,265

9. Exceptional Item

As part of the pension fund valuation, the past service gain as a result of the change in valuation basis from Retail Price Index (RPI) to Consumer Price Index (CPI) is shown as an Exceptional item in the Comprehensive Income and Expenditure Statement. This past service gain totalled £75.831m. Further details can be found in Note 48.

10. Other Operating Expenditure

Other operating expenditure included in Comprehensive Income and Expenditure Statement.

2009/10 £000	Other operating Expenditure	2010/11 £000
798	Precepts	816
0	Revaluation Losses on Assets Held for Sale	1,159
(905)	(Gains)/losses on the disposal of non current assets	30,359
(388)	Net (surplus) / deficit on trading operations	315
(495)	Total	32,649

11. Financing and Investment Income and Expenditure

Financing and investment income and expenditure included in the Comprehensive Income and Expenditure Statement.

2009/10 £000	Financing and Investment Income and Expenditure	2010/11 £000
13,301	Interest payable and similar charges	14,758
34,117	Pensions interest cost and expected return on pensions assets	31,802
(2,052)	Interest receivable and similar income	(1,891)
(150)	Income and expenditure in relation to investment properties and changes in their fair value	(25)
0	Other investment income	0
45,216	Total	44,644

The net loss on disposal relates primarily to the transfer at no consideration of Richard Rose Central (£27.370m) and Seaton Infants School (£1.724m) to Academy status.

12. Taxation and Non Specific Grant Income

Taxation and non specific grant income included in the Comprehensive Income and Expenditure Statement.

2009/10 £000	Taxation and Non Specific Grant Income	2010/11 £000
201,392	Council tax income	205,789
111,672	Non domestic rates	126,182
58,662	Non ring fenced government grants	68,755
41,835	Capital grants and contributions	71,114
413,561	Total	471,840

13. Property, Plant and Equipment

13.1 Movement on Balances – Movement 2010/11

2010/11	Other Land & Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Assets Under Construction	Surplus Properties Not Held for Sale	Total Property, plant & Equipment
	£000	£000	£000	£000	£000	£000	£000
<u>Cost or Valuation</u>							
At 1 April 2010	742,616	42,462	309,093	52	29,782	11,022	1,135,027
Additions	29,403	7,298	42,344	0	25,971	28	105,044
Donations	0	514	0	0	0	0	514
Revaluation increases / (decreases) recognised in the Revaluation Reserve	(16,630)	0	(438)	0	0	737	(16,331)
Revaluation increases / (decreases) recognised in the surplus/deficit on the provision of services	(49,160)	0	0	0	0	(5,082)	(54,242)
De-recognition – disposals	(30,279)	(2,699)	0	0	0	(556)	(33,533)
De-recognition – other	0	0	0	0	0	0	0
Assets reclassified to/from Held for Sale	(1,596)	0	0	0	0	135	(1,461)
Reclassifications – other	21,302	0	1,329	(6)	(26,746)	4,120	0
At 31 March 2011	695,657	47,576	352,329	46	29,007	10,404	1,135,019
<u>Accumulated Depreciation</u>							
At 1 April 2010	(22,172)	(21,346)	(53,163)	0	0	(755)	(97,437)
Depreciation charge	(13,117)	(5,156)	(8,013)	0	0	0	(26,285)
Depreciation written out to the Revaluation Reserve	7,766	0	0	0	0	684	8,450
Depreciation written out to the surplus/deficit on the provision of services	7,080	0	0	0	0	218	7,297
Impairment losses / (reversals) recognised in the Revaluation Reserve	0	0	0	0	0	0	0
Impairment losses / (reversals) recognised in the surplus/deficit on the provision of services	(115)	0	0	0	0	0	(115)
De-recognition – disposals	78	757	0	0	0	5	840
De-recognition – other	81	0	0	0	0	0	81
Depreciation on reclassifications - other	309	0	0	0	0	(309)	0
At 31 March 2011	(20,090)	(25,745)	(61,176)	0	0	(157)	(107,168)
<u>Net Book Value</u>							
at 31 March 2011	675,567	21,831	291,153	46	29,007	10,247	1,027,851
at 1 April 2010	720,444	21,116	255,930	52	29,782	10,266	1,037,590

Movement on Balances - Comparative Movements in 2009/10

2009/10	Other Land & Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Assets Under Construction	Surplus Properties Not Held for Sale	Total Property, plant & Equipment
	£000	£000	£000	£000	£000	£000	£000
<u>Cost or Valuation</u>							
At 1 April 2009	714,575	50,295	257,741	52	2,732	9,334	1,034,729
Additions	14,867	4,000	40,146	0	27,050	415	86,478
Revaluation increases / (decreases) recognised in the Revaluation Reserve	47,134	(432)	0	0	0	713	47,415
Revaluation increases / (decreases) recognised in the surplus/deficit on the provision of services	(18,695)	0	0	0	0	(1,114)	(19,809)
De-recognition – disposals	(1,527)	(5,042)	0	0	(874)	0	(7,443)
De-recognition – other	0	0	0	0	0	0	0
Assets reclassified to/from Held for Sale							
Other movements in cost or valuation	(13,738)	(6,319)	11,206	0	0	2,548	(6,343)
At 31 March 2010	742,616	42,462	309,093	52	29,782	11,022	1,135,027
<u>Accumulated Depreciation</u>							
At 1 April 2009	(20,352)	(23,809)	(45,420)	0	0	(1,849)	(91,430)
Depreciation charge	(13,393)	(9,048)	(6,860)	0	0	1	(29,300)
Depreciation written out to the Revaluation Reserve	0	0	0	0	0	0	0
Depreciation written out to the surplus/deficit on the provision of services	0	0	0	0	0	0	0
Impairment losses / (reversals) recognised in the Revaluation Reserve	8,142	0	0	0	0	109	8,251
Impairment losses / (reversals) recognised in the surplus/deficit on the provision of services	(95)	0	(1,062)	0	0	(1,157)	(1,157)
De-recognition – disposals	596	5,045	0	0	0	411	6,052
De-recognition – other							
Other movements in depreciation and impairment	2,930	6,466	179	0	0	573	(10,147)
At 31 March 2010	(22,172)	(21,346)	(53,163)	0	0	(755)	(97,437)
<u>Net Book Value</u>							
at 31 March 2010	720,444	21,116	255,930	52	29,782	10,266	1,037,590
at 1 April 2009	694,224	26,485	212,320	52	2,732	7,485	943,298

13.2 Depreciation

The following useful lives and depreciation rates have been used in the calculation of depreciation:

Operational Buildings	60 years
Waste Disposal Sites	30 years
Infrastructure Works	40 years*
Vehicles, Plant, Furniture & Equipment	5 – 15 years
Assets Under Construction	Not charged until brought into use
Community Assets / Investment properties	No depreciation charged
Intangible Assets	5 years
Land	Infinite life

* Because of the diverse nature of infrastructure assets individual asset lives have been assigned as appropriate.

13.3 Capital Commitments

At 31st March 2011 the Council had entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2011/12 and future years budgeted to cost £51.073m. Similar commitments at 31st March 2010 were £54.391m. The major commitments are:

2009/10 £000	Capital Project	2010/11 £000
	Schools – new build and refurbishments:	
0	West Lakes Academy	19,050
20,438	Richard Rose Morton Academy	10,900
13,340	Trinity School	8,583
796	St Bernards	2,400
0	Vickerstown School, Barrow	5,400
0	St Georges School, Barrow	3,500
293	Schools – minor schemes	57
782	Brampton	0
538	Ulverston	0
266	Caldew	0
138	Dallam	0
92	Newman	0
385	William Howard	0
189	North Carlisle	0
15,530	Richard Rose Central Academy	0
	Other Projects:	
0	4 Elderly Persons Homes	240
0	Kirkby Stephen Local Links	123
0	DAAT	80
	Other Minor Schemes	140
95	Land Reclamation	0
1,509	Archives & Records Office	100
54,391		50,573

13.4 Effects of Changes in Estimates

In 2010/11 the Council has not made any material changes in estimates methodology used.

13.5 Revaluations

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. Until 31st January 2011 valuations were carried out by valuation officers employed by Capita Symonds Ltd, after that date the valuations have been carried out internally. The officers who undertook these valuations were:

- F Blenkarn, BSc MRICS
- D Kirkwood, BSc (Hons) MRICS
- Esme McQuillan, MRICS
- AJ Harty, BSc (Hons) MRICS
- D Wiggins, BSc (Hons) MRICS
- M Smith, BSc (Hons) MRICS

Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors and in accordance with the CIPFA IFRS Code of Practice on Local Authority Accounting. Valuations of vehicles, plant, furniture and equipment are based on current prices where there is an active second-hand market or latest list prices adjusted for the condition of the asset. Furniture and equipment is only treated as a non current asset when purchased as part of a capital project, otherwise it is treated as de minimis expenditure and a direct charge to the revenue account in the year of purchase. The exception to this is schools' equipment funded from capital grant.

The significant assumptions applied in estimating the fair values are:

- That all required, valid planning permissions and statutory approvals for the buildings and for their use, including any extensions or alterations, have been obtained and complied with.
- That no deleterious or hazardous materials or techniques have been used, that there is no contamination in or from the ground, and it is not landfilled ground;
- That the properties are connected to, and there is a right to use, the reported mains services on normal terms; and
- That sewer, main services and the roads giving access to the property have been adopted
- Unless otherwise stated, we will take no account of any form of taxation, grants or costs that may arise on acquisition or disposal of the properties.

From 2010/11 property assets are to be classified as:

- Property plant and equipment
- Leases and lease type arrangements
- Investment property
- Assets held for sale

Fair Value is reported or measured as follows;

Category	Basis
Property plant and equipment (except infrastructure community assets and assets under construction)	Existing Use Value (EUV) and Market Value (MV) where there is a significant difference
Specialised property	Depreciated Replacement Cost (DRC) method
Investment Property	MV
Assets held for sale	MV

The Council has set in place a five-year rolling programme of asset revaluations.

The history of asset valuations is as follows:

	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Surplus Properties Not Held for Sale	Total
	£000	£000	£000	£000
Carried at Historic Cost	94	18,552	0	18,646
Valued at fair value as at:				
31/3/11	170,919	2,099	7,099	180,117
31/3/10	120,536	0	1,028	121,564
31/3/09	171,329	0	1,100	172,429
31/3/08	95,035	0	541	95,576
31/3/07	117,654	1,179	480	119,313
Total Cost or Valuation	675,567	21,830	10,248	707,645

14. Investment Properties

The following items of income and expenditure have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive and Income and Expenditure Statement.

2009/10 £000	Investment Properties Income & Expenditure	2010/11 £000
27	Rental income from investment properties	27
(2)	Direct operating expenses arising from investment property	(2)
25	Net gain/(loss)	25

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

The following table summarises the movements in the fair value of investment properties over the year:

2009/10 £000	Movement in the Fair Value of Investment Properties	2010/11 £000
1,232	Balance at the start of the year	1,232
	Additions:	
0	Purchases	0
0	Construction	0
0	Subsequent expenditure	0
0	Disposals	0
0	Net gains/losses from fair value adjustments	0
	Transfers:	
0	To/from inventories	0
0	To/from Property, Plant and Equipment	0
0	Other changes	0
1,232	Balance at the end of the year	1,232

15. Intangible Assets

The Authority accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets include both purchased licenses and software. All software is given a finite useful life of five years, based on assessments of the period that the software is expected to be of use to the Council.

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £3.686m charged to revenue in 2010/11 was charged to the IT Administration cost centre and then absorbed as an overhead across all the service headings in the Net Expenditure of Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading.

The movement on Intangible Asset balances during the year is as follows:

	2010/11	2009/10
Intangible Assets	Other Intangible Assets £000	Other Intangible Assets £000
Balance at start of year:		
Gross carrying amount	18,440	9,280
Accumulated amortisation	(1,857)	0
Net carrying amount at start of year	16,583	9,280
Purchases	207	8,767
Revaluation increases or decreases	0	393
Amortisation for the period	(3,686)	(1,857)
Net carrying amount at end of year	13,104	16,583
Comprising:		
Gross carrying amount	18,647	18,440
Accumulated amortisation	(5,543)	(1,857)
	13,104	16,583

There are five items of capitalised software that are individually material to the financial statements:

- Electronic Social Care Records
- e5 accounting system
- Customer Access project
- e-procurement
- Trent HR and payroll system

These were all brought on to the Council's balance sheet as part of IFRS restatement. This followed a review of arrangements with suppliers that are not legally leases but convey the right to use an asset in return for payment and where fulfilment of the arrangement is dependent on the use of specific assets.

The first two items were brought onto the balance sheet as at 1 April 2009 and the remainder in 2009/10. The initial recognition valuation was at Net Present Value and then the assets were revalued to cost within the same financial year.

16. Financial Instruments

Categories of Financial Instruments

The following categories of financial instruments are carried in the Balance Sheet.

16.1 Financial Instruments Balances

	Long-Term		Current	
	31 March 2011 £000	31 March 2010 £000	31 March 2011 £000	31 March 2010 Restated £000
Investments:				
Loans and receivables	0	0	43,595	36,494
Unquoted equity at cost	2,813	2,813	0	0
Cash and Cash equivalents	0	0	75,318	40,369
Total investments	2,813	2,813	118,913	76,863
Debtors:				
Loans and receivables	1,979	2,254	47,805	44,614
Total debtors	1,979	2,254	47,805	44,614
Borrowings:				
Financial liabilities at amortised cost	316,021	296,064	14,867	4,780
Bank Overdraft	0	0	7,583	10,548
Total Borrowings	316,021	296,064	22,450	15,328
Other Long Term Liabilities:				
Finance lease liabilities	0	5,627	5,627	5,884
Total other long term liabilities	0	5,627	5,627	5,884
Creditors:				
Financial liabilities at amortised cost	0	0	73,608	56,150
Total creditors	0	0	73,608	56,150

Reclassifications

There were no reclassifications in the year.

16.2 – Income, Expense, Gains and Losses On Financial Instruments

The gains and losses recognised in the Income and Expenditure Account in relation to financial instruments are made up as follows:

	Financial Liabilities (measured at amortised costs) £000	Financial Assets (Available for Sale) £000	Financial Assets (Loans & Receivables) £000	Total £000
2010/11				
Interest Expense	14,758	0	0	14,758
Losses on derecognition	0	0	0	0
Impairment Losses	0	0	0	0
Total expense in surplus or deficit on the provision of services	14,758	0	0	14,758
Interest Income	0	0	(1,891)	(1,891)
Gains on derecognition	0	0	0	0
Total income in surplus or deficit on the provision of services	0	0	(1,891)	(1,891)
Net Gain/(Loss) for year	0	0	0	0

	Financial Liabilities (measured at amortised costs) £000	Financial Assets (Available for Sale) £000	Financial Assets (Loans & Receivables) £000	Total £000
2009/10				
Interest Expense	13,301	0	0	13,301
Losses on derecognition	0	0	0	0
Impairment Losses	0	0	0	0
Total expense in surplus or deficit on the provision of services	13,301	0	0	13,301
Interest Income	0	0	(2,052)	(2,052)
Gains on derecognition	0	0	0	0
Total income in surplus or deficit on the provision of services	0	0	(2,052)	(2,052)
Net Gain/(Loss) for year	0	0	0	0

Fair Value Of Assets And Liabilities

Financial liabilities and financial assets are represented by loans and receivables and long-term debtors and creditors are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- For Public Works Loan Board (PWLb) debt, the discount rate used is the rate for new borrowing as per PWLB rate sheet number 063/10.

- For other market debt and investments the discount rate used is the rate available for an instrument with the same terms from a comparable lender.
- Interpolation techniques between available rates have been used where the exact maturity period was not available.
- Fair values have been calculated for all instruments in the portfolio, but have only disclosed those which are materially different from the carrying value.
- No early repayment or impairment is recognised. Where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value.
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

	31 March 2011		31 March 2010	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Fair Value of Liabilities				
Financial Liabilities:				
PWLB borrowings	290,200	268,781	270,200	272,102
Market Loans	25,557	28,446	25,568	29,347
Local Authorities	264	264	296	296
Long Term Creditors	0	0	5,627	5,627
Short term borrowings	14,867	15,807	4,780	4,780
Creditors - contractual	73,608	73,608	56,150	56,150
Bank Overdraft	7,583	7,583	10,548	10,548

The fair value of the portfolio of liabilities is lower than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is lower than the prevailing rates at the Balance Sheet date.

	31 March 2011		31 March 2010	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Fair Value of Assets				
Loans and Receivables:				
Cash	18,656	18,656	10,242	10,242
Deposits with banks and building societies	99,661	100,152	66,202	66,308
Accrued Interest	344	344	94	94
Deposit with Insurer	251	251	325	325
Unquoted Equity	2,813	2,813	2,813	2,813
Long Term Debtors	1,979	1,979	2,254	2,254
Debtors – contractual	47,805	47,805	44,614	44,614

The fair value of the portfolio of assets is lower than the carrying amount because the Council's portfolio of investments includes a number of fixed rate loans where the interest rate receivable is lower than the rates available for similar loans at the Balance Sheet date.

The Council's shareholding in Cumbria Waste Management Ltd – the shares (representing 100% of the Company's capital) are carried at cost of £2.813m and have not been valued, as a fair value cannot be measured reliably. There are also no established companies with similar aims in the Council's area whose shares are traded and which might provide comparable market data.

Short term debtors and creditors are carried at cost as this is a fair approximation of their value.

17. Long Term Investments

As the result of Government legislation, Cumbria Waste Management Ltd (CWM) was created in 1993 as a wholly owned company tendering for the waste disposal business within Cumbria in competition with the private sector. The majority of the waste disposal assets of the County Council were transferred to the new company in exchange for £2,813,000 of shares.

On the 4th June 2009, the Council selected a waste management partner, Shanks Waste Management Ltd, in a 25 year Public Private Partnership (PPP) contract. The overall aim of the project is to reduce the volume of waste sent to landfill and hence reduce landfill taxes and potential fines arising from the Government's Landfill Allowance Trading Scheme. CWM is a sub-contractor to Shanks, under this contract.

	Balance at 31 March 2010 £000	Sale Proceeds £000	Profit on Disposal £000	Balance at 31 March 2011 £000
Long Term Investments				
Cumbria Waste Management Ltd	2,813	0	0	2,813

18. Long Term Debtors

Capital receipts from Amey are due over the life of the contract (seven years). Receipts due in the next 12 months are treated as (short term) debtors with the remaining receipts treated as a long term debtor. The Council is expecting to receive £0.134m in 2011/12 as final payment and this is included accordingly as a (short term) debtor at 31st March 2011. The total amount of these receipts is treated as a Capital Receipts Deferred reserve.

The long term debtor on Probation and Charlotte Mason represents sums due from the National Offender Management Service and the University of Cumbria in relation to pre 1990 and earlier debts, incurred financing capital schemes. The debt is repayable at 4% per annum in accordance with the Minimum Revenue Provision (MRP) rules, namely at 4% per annum of a reducing balance. The long term debtor for Magistrates is being repaid by HM Courts and Tribunals service in accordance with MRP rules. The grant is at 80% of the full cost. The debt repayable in respect of Barrow VIth Form College is being repaid, over 25 years, in equal instalments.

	Balance at 31 st March 2009	Net In Year Transactions	Balance at 31 st March 2010	Net In Year Transactions	Balance at 31 st March 2011
Long Term Debtors	£000	£000	£000	£000	£000
Capital Receipt due under Amey Contract	134	(134)	0	0	0
Charlotte Mason & Barrow 6 th Form Colleges	609	(33)	576	(33)	543
Probation Service	367	(15)	352	(14)	338
Magistrates Court Service	726	(29)	697	(28)	669
Staff Car Loans	688	(59)	629	(200)	429
	2,524	(270)	2,254	(275)	1,979

19. Inventories

	Consumable Stores		Maintenance Materials		Total	
	2010/11 £000	2009/10 £000	2010/11 £000	2009/10 £000	2010/11 £000	2009/10 £000
Inventories						
Balance outstanding at start of year	394	624	45	43	439	667
Purchases	5,028	4,535	23	40	5,051	4,575
Recognised as an expense in the year	(4,307)	(4,766)	(27)	(38)	(4,334)	(4,804)
Written off balances	0	0	0	0	0	0
Balance outstanding at year end	1,115	393	41	45	1,156	438

20. Construction Contracts

At 31st March 2011, the Council had no construction contracts (where it was acting as contractor for another organisation) in progress.

21. Debtors

An analysis of sums due to the Council as at 31st March 2011 is as follows:

31 March 2009 Restated £000	31 March 2010 Restated £000		31 March 2011 £000
		Debtors and Prepayments	
14,163 (17)	15,013 (34)	Debtors: Central Government Bodies	15,312 (1)
2,519 (75)	6,541 (55)	Central Government Bodies – doubtful debt allowance	
5,660 (544)	4,362 (328)	Other Local Authorities	2,813 (59)
0	0	Other Local Authorities – doubtful debt allowance	
62,716 (7,569)	53,407 (7,585)	NHS Bodies	3,986 (493)
		NHS Bodies – doubtful debt allowance	
		Public Corporations and Trading Funds	0
		Other Entities and Individuals	45,584 (7,458)
		Other Entities and Individuals – doubtful debt allowance	
76,853	71,321		59,684
		Prepayments: Central Government	0
8	2,001	Other Local Authorities	67
0	11	NHS Bodies	2
0	0	Public Corporations and Trading Funds	0
0	0	Other Entities and Individuals	11,005
3,741	6,085		11,074
3,749	8,097		
80,602	79,418	Total Debtors and Prepayments	70,758

22. Cash and Cash Equivalents

31 March 2009 £000	31 March 2010 £000		31 March 2011 £000
		Cash and Cash Equivalents	
0	0	Cash held by the Council	0
19,971	10,242	Bank Current Accounts	18,657
7,000	30,127	Short Term Deposits	56,661
26,971	40,369	Total Cash and Cash Equivalents	75,318

The balance on the Council's main bank accounts at 31st March 2011 was £7.6m (2009/10 £10.5m) overdrawn, whilst the balances on the Council's various imprest accounts, school bank accounts and cash in transit between internal accounts amounted to £18.7m (2009/10 £10.2m) in hand. The overdrawn bank balance quoted above should not be confused with the Council's 'cleared' bank balance, which is actively managed close to zero on a daily basis by the Council's Treasury Management function, to maximise interest receipts and minimise interest payments.

23. Assets Held For Sale

Assets held for Sale	Current		Non Current	
	2010/11	2009/10	2010/11	2009/10
Balance outstanding at start of year	494	1,273	0	0
Assets newly classified as held for sale: Property, Plant & Equipment	1,590	0	0	0
Revaluation Losses	(1,240)	0	0	0
Revaluation Gains	12	90	0	0
Impairment Losses	0	0	0	0
Assets de-classified as held for sale: Property, Plant & Equipment	(135)	0	0	0
Assets Sold	(95)	869	0	0
Transfers from non current to current	0	0	0	0
Balance outstanding at year end	626	494	0	0

24. Creditors

An analysis of amounts owed by the Council at 31st March 2011 is:

31 March 2009 Restated £000	31 March 2010 Restated £000		31 March 2011 £000
		Creditors and Accruals:	
8,304	14,933	Central Government bodies	6,979
4,528	7,582	Other Local Authorities	4,708
728	1,518	NHS Bodies	1,257
148	28	Public Corporations and Trading Funds	4
73,293	59,652	Other Entities and Individuals	76,861
87,001	83,713		89,809

25. Provisions

Insurance

The Council self insures a proportion of its risks in order to reduce its costs of insurance. Each year funding is set aside to meet claims on that self insurance, the funds set aside have been segregated into two elements – a provision and a reserve. The insurance provision represents the sum estimated to meet claims identified and also claims incurred but not reported at 31st March 2011. The estimate is based on the advice of consulting actuaries 'Marsh Risk Consulting'. The balance of funding is held in an insurance reserve (note 8) to support the on-going self-insurance programme for the period to 31st March 2011.

Equal Pay

At 31 March 2010 a further provision of £2.453m was made for additional costs arising from Equal Pay Phase 1 whilst the costs of Phase 2 (covering staff in schools) require a provision of £2.224m. During 2010/11 £1.476m was paid to phase 1 claimants.

Voluntary Redundancies

The Council introduced a voluntary redundancy programme as part of the Council's budget strategy for 2011/12. A provision of £6.665m has been established funded through a transfer from the Equal Pay and Modernisation Reserve in respect of those staff whose application to be considered for voluntary redundancy had been accepted at 31st March 2011, but whose employment with the Council will come to an end after 1st April 2011.

Retained Firefighters prevention of less favourable treatment

A National Employment Tribunal involving Fire and Rescue Services in respect of part-time workers (prevention of less favourable treatment regulations) terms and conditions (the 'Grey Book') is continuing. Two test cases were identified in 2001 and legal proceedings commenced. A settlement agreement has been reached in principle with the Fire Brigades Union and the National Joint Council for Local Council Fire and Rescue Services in respect of basic entitlements but the negotiations upon final settlement are continuing and the issue of pension remuneration has not been resolved. A provision has been made in the accounts, and the settlement has been funded from the Equal Pay and Modernisation Reserve.

Provisions	Balance at 1 st April 2009 £000	Additional Provisions Made in 2009/10 £000	Amounts used in 2009/10 £000	Balance at 1 st April 2010 £000	Additional Provisions Made in 2010/11 £000	Amounts used in 2010/11 £000	Balance at 31 st March 2011 £000
<u>Long term provisions</u>							
Insurance – employers & public liability	2,960	341	0	3,301	532	0	3,833
Equal Pay – phase 2	0	2,224	0	2,224	0	0	2,224
Total	2,960	2,563	0	5,525	532	0	6,057
<u>Short term provisions</u>							
Insurance – motor and fire	101	0	(2)	99	100	0	199
Equal Pay – phase 1	36,651	2,453	(36,651)	2,453	0	(1,476)	977
Equal Pay – Retained Firefighters	0	0	0	0	282	0	282
Voluntary redundancies	0	0	0	0	6,665	0	6,665
Total	36,752	2,453	(36,651)	2,552	7,047	(1,476)	8,123

26. Usable Reserves

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement and are summarised in the table below:

31st March 2009 Restated £000	31st March 2010 Restated £000	Usable Reserves	31st March 2011 £000
12,290	10,050	General Fund Balance	14,867
52,154	57,185	Earmarked Reserves	63,771
5,811	2,851	Earmarked Capital Reserves	5,331
152	193	Capital Receipts Reserve	828
0	0	Capital Grants Unapplied Account	388
2,813	2,813	Long Term Investment Reserve	2,813
73,220	73,092	Total Usable Reserves	87,998

Usable Capital Receipts Reserve

These are receipts from the sale of assets, which have not been used either to fund capital expenditure or to repay debt.

31st March 2009 £000	31st March 2010 £000	Usable Capital Receipts	31st March 2011 £000
3,990	152	Balance at 1st April 2010	193
3,526	2,681	Sale of assets	2,509
7,516	2,833		2,702
(5,364)	(2,640)	Used to finance capital expenditure	(1,874)
(2,000)	0	Used to finance Equal Pay	0
152	193	Balance at 31st March 2011	828

Long Term Investment Reserve

This reserve has been in existence since 1993 when the investment in Cumbria Waste Management Ltd was brought on to the Council's balance sheet.

31st March 2009 £000	31st March 2010 £000	Long Term Investment Reserve	31st March 2011 £000
2,813	2,813	Long Term investment Reserve	2,813

27. Unusable Reserves

31 st March 2009 Restated £000	31 st March 2010 Restated £000	Unusable Reserves	31 st March 2011 £000
120,751	169,999	Revaluation Reserve	155,661
483,389	502,446	Capital Adjustment Account	493,746
953	544	Deferred Capital Receipts	134
(421,257)	(631,973)	Pensions Reserve	(457,340)
(588)	(588)	Financial Instruments Adjustment Account	(588)
(721)	159	Collection Fund Adjustment Account	1,016
(10,695)	(9,128)	Accumulated Absences Adjustments Account	(12,994)
(4,251)	0	Equal Pay Back Pay Account	0
167,581	31,459	Total Unusable Reserves	179,635

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment and Intangible Assets. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost.
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance in the Capital Adjustment Account.

31 March 2009 Restated £000	31 March 2010 Restated £000	Revaluation Reserve	31 March 2011 £000
42,100	120,751	Balance as at 1 April 2010	169,999
79,762	54,963	Upward revaluations	0
0	0	Downward revaluation of assets and impairment losses not charged to the surplus/deficit on the provision of services	(7,907)
11,507	0	Depreciation Charge on revaluations	0
(7,404)	(2,594)	Impairments	0
0	0	Surplus or deficit on revaluation of non current assets not posted to the surplus/deficit on the provision of services	0
(852)	(586)	Difference between fair value depreciation and historical cost depreciation	(6,431)
(426)	0	Accumulated gains on assets sold or scrapped	0
		<u>IFRS Adjustments</u>	
(4,224)	(27)	Change of treatment of assets from financing to operating leases	0
(300)	(125)	Revaluation reserve on surplus properties to investment properties	0
588	276	Revaluation of assets	0
	(326)	Adjustments to 2008/09	0
	(2,333)	Amount written off to the Capital Adjustment Account	0
120,751	169,999		155,661

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains. The table below provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

Movement on the Capital Adjustment Account

31st March 2009 Restated £000	31st March 2010 Restated £000		31st March 2011 £000
		Capital Adjustment Account	
444,821	483,389	Balance as at 1 April 2010	502,446
		Reversal of items relating to capital expenditure debited or credited to the CI&ES	
(42,326)	(44,758)	Charges for depreciation and impairment of non current assets	(25,350)
	0	Amortisation of Intangible Assets	(4,738)
	0	Revaluation losses on Property, Plant and Equipment	(47,940)
(26,586)	(30,457)	Revenue Expenditure Funded From Capital Under Statute	(27,388)
(2,801)	(1,385)	Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement	(30,359)
0	0	Donated Assets	514
852	2,333	Adjusting amounts written out of the Revaluation Reserve	3,340
426	586	Revaluation Gains on Disposed Assets	3,126
0	0	Net written out amount of the cost of non current assets consumed in the year	0
		Capital financing applied in the year:	
5,365	2,640	Use of the capital receipts reserve to finance new capital expenditure	1,874
0	125	Other movements	(3,015)
9,433	29,469	Capital grants and contributions credited to the Comprehensive Income & Expenditure Statement that have been applied to capital financing	93,868
0	0	Application of grants to capital financing from the Capital Grants Unapplied Account	0
11,330	13,874	Statutory provision for the financing of capital investment charged against the General Fund	21,017
	6,364	Capital expenditure charged against the General Fund	6,349
(32,400)	(5,149)	Use of Capitalisation Direction	0
2,000	0	Capital Financing	0
98,562	41,834	Deferred Grants written out	0

31st March 2009 Restated £000	31st March 2010 Restated £000		31st March 2011 £000
		Capital Adjustment Account	
10,462	0	Amortisation of deferred grants written out	0
282	0	Surplus properties transferred to investment properties	0
(27)	(82)	Change of treatment of assets from financing to operating leases	0
3,996	3,361	Assets relating to embedded lease	0
0	302	Adjustments re 2008/09	0
483,389	502,446	Balance at 31 March 2011	493,746

Financial Instruments Adjustment Account

The Financial Instrument Adjustments Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefitting from gains per statutory provisions.

31 March 2009 £000	31 March 2010 £000		31 March 2011 £000
		Financial Instruments Adjustment Account	
(588)	(588)	LOBOs adjustment to amortised cost	(588)
(588)	(588)		(588)

Deferred Capital Receipts

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of noncurrent assets but for which cash settlement has yet to take place. Under statutory arrangements, the Council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

31 March 2009 £000	31 March 2010 £000		31 March 2011 £000
		Deferred Capital Receipts	
1,358	953	Balance at 1 st April 2010	544
(405)	(409)	Capital Receipts applied to capital expenditure	(410)
953	544	Balance at 31st March 2011	134

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds

or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

31 March 2009 £000	31 March 2010 £000	Collection Fund Adjustment Account	31 March 2011 £000
0 (721)	(721) 880	Balance at 1 April 2010 Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	159 857
(721)	159	Balance at 31 March 2011	1,016

Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, eg annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

31st March 2009 £000	31st March 2010 £000	Accumulated Absences Account	31st March 2011 £000
0	10,695	Balance at 1 st April 2010	9,128
0	(10,695)	Settlement or cancellation of accrual made at the end of the preceding year	(9,128)
10,695	9,128	Amounts accrued at the end of the current year	12,994
0	0	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	0
10,695	9,128	Balance at 31st March 2011	12,994

28. Cash Flow Statement

28.1 Reconciliation of Surplus/(Deficit) to Net Cash Inflow/Outflow

2009/10 £000		2010/11 £000
(4,064)	(Surplus) / Deficit for the Year	(44,595)
	<u>Non Cash Transactions</u>	
(48,686)	Depreciation and Impairment	(25,350)
2,919	Revaluation decreases written off to I&E in year	(48,029)
8,395	Deferred grants amortisation	(4,738)
(8,395)	Deferred grants amortisation reversed	0
1,216	Impairments/revaluations reversed	0
(17,035)	Pension Fund Adjustments	(27,142)
0	Other non cash Financial Instruments	0
976	Appropriation to Collection Fund Adjustment Account	0
31,974	Provision for Equal Pay	0
(339)	Contributions to Provisions	(6,103)
0	Carrying amount of non current assets sold	(27,850)
0	Adjustments for effective interest rates	43
0	CAA adjustment	2,787
	<u>Items on an Accruals Basis</u>	
(229)	(Increase) / Decrease in Stock	718
(3,764)	(Increase) / Decrease in Debtors	(3,728)
10,156	Increase / (Decrease) in Creditors	9,093
(22,812)		(130,299)
	<u>Adjustments for Items that are investing or financing activities</u>	
0	Proceeds from the sale of short and long term investments	148,424
0	Purchase of short term investments	(155,275)
(399)	Interest and Investment Income	0
1,245	Dividends from Companies	0
(13,029)	Interest Payable and Similar Charges	0
905	Gain/Loss on Disposal of Fixed Assets	2,509
0	Gain/Loss on Disposal of Long Term Investments	0
41,835	Capital Grants included in CI&E but already in cash flow	94,382
386	Revenue grants included 9/10 only	0
6,150	Finance lease transactions 9/10 only	0
37,093		90,040
10,217		(84,854)

28.2 Cash Flow Statement – Operating Activities

The cash flows from operating activities include the following items:

31 March 2010 £000	Cash Flow Statement – Operating Activities	31 March 2011 £000
(2,013)	Interest Received	(596)
12,813	Interest Paid	14,714
(1,245)	Dividends Received	(1,045)
9,555		13,073

28.3 Cash Flow Statement – Investing Activities

31 March 2010 £000	Cash Flow Statement – Investing Activities	31 March 2011 £000
85,343	Purchase of Property, Plant & Equipment, investment property and intangible assets	129,282
8,148	Purchase of short and long term investments	155,275
0	Other payments for investing activities	0
(2,681)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(2,509)
(11,573)	Proceeds from short and long term investments	(118,424)
(66,178)	Other receipts from investing activities	(93,691)
13,059	Net cash flows from investing activities	69,933

28.4 Cash Flow Statement – Financing Activities

31 March 2010 £000	Cash Flow Statement – Financing Activities	31 March 2011 £000
(37,500)	Cash receipts of short and long term borrowing	(30,000)
(7,213)	Other receipts from financing activities	0
	Appropriation to/from Collection Fund Adjustment Account	857
6,150	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	6,150
0	Repayment of short and long term borrowings	0
0	Other payments for financing activities	0
(38,563)	Net cash flows from financing activities	(22,993)

28.5 Cash Flow Statement – Cash and Cash Equivalents

31 March 2010 £000	Cash and Cash Equivalents	31 March 2011 £000
10,242	Cash and bank balances	18,657
30,127	Cash Investments (cash equivalents)	56,661
(10,548)	Bank Overdraft	(7,583)
29,821		67,735

29. Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the *Best Value Accounting Code of Practice*. However, decisions about resource allocation are taken by the Council's Cabinet on the basis of budget reports analysed across Directorates, which are prepared on a different basis from the accounting policies used in the financial statements.

The net revenue position at 31st March 2011 is summarised in the Explanatory Foreword (Table 1) and this shows net expenditure of £388.194m (£303.326m in 2009/10). This is expanded in the segmental analysis over the page showing the subjective analysis (the main categories of income and expenditure) by Directorate.

The income and expenditure of the Council's principal Directorates recorded in the budget monitoring reports for the year is as follows:

2010/11 Segmental Reporting

Directorate income and expenditure 2010/11	Children Services £000	Adults and Local Services £000	Environment £000	Safer and Stronger Communities £000	Local Committees £000	Chief Executives £000	Organisational Development £000	Resources £000	Other Corporate and Miscellaneous £000	Total £000
Fees and charges	(28,066)	(47,300)	(10,686)	(388)	(55)	(764)	(2,079)	(2,446)	(1,206)	(92,990)
Other income	(4,811)	(27,251)	(1,525)	(2,137)	(63)	(225)	(659)	(482)	(921)	(38,074)
Internal income	(9,842)	(788)	(329)	0	0	(1,251)	(8,096)	(10,454)	(40)	(30,800)
Service Specific Grant income	(367,998)	(2,749)	(6,841)	(226)	0	(244)	(909)	(371)	(8,954)	(388,292)
Total Income	(410,717)	(78,088)	(19,381)	(2,751)	(118)	(2,484)	(11,743)	(13,753)	(11,121)	(550,156)
Employee costs	322,171	73,919	9,489	21,578	59	5,025	4,810	15,642	4,656	457,349
Running expenses	176,952	148,176	67,811	7,179	23,696	2,285	20,987	12,037	21,878	481,001
Total Expenditure	499,123	222,095	77,300	28,757	23,755	7,310	25,797	27,679	26,534	938,350
Net Expenditure	88,406	144,007	57,919	26,006	23,637	4,826	14,054	13,926	15,413	388,194

2009/10 Segmental Reporting

Directorate income and expenditure 2009/10	Children Services £000	Adults and Local Services £000	Environment £000	Safer and Stronger Communities £000	Local Committees £000	Chief Executives £000	Organisational Development £000	Resources £000	Other Corporate and Miscellaneous £000	Total £000
Fees and charges	(27,828)	(40,470)	(14,606)	(379)	(64)	(1,526)	(4,001)	(2,263)	(3,328)	(94,465)
Other income	(6,029)	(9,171)	(2,663)	(2,050)	(74)	(298)	(994)	(695)	(1,973)	(23,947)
Internal income	(10,113)	(683)	(913)	0	0	(1,554)	(8,771)	(10,722)	(5)	(32,761)
Service Specific Grant income	(381,486)	(14,502)	(6,311)	(300)	0	(217)	(78)	(134)	(16,501)	(419,529)
Total Income	(425,456)	(64,826)	(24,493)	(2,729)	(138)	(3,595)	(13,844)	(13,814)	(21,807)	(570,702)
Employee costs	322,475	65,822	8,524	21,356	71	5,642	3,974	16,257	9,772	453,893
Running expenses	162,010	138,335	58,663	7,866	22,481	3,686	21,214	7,387	(2,507)	419,135
Total Expenditure	484,485	204,157	67,187	29,222	22,552	9,328	25,188	23,644	7,265	873,028
Net Expenditure	59,029	139,331	42,694	26,493	22,414	5,733	11,344	9,830	(14,542)	302,326

Reconciliation of Directorate Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the analysis of Directorate income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

The budget reports and Directorate analysis are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- no charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement).
- the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year.
- expenditure on some support services is budgeted for centrally and not charged to Directorates.

31 March 2010 £000	Reconciliation of Directorate Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement	31 March 2011 £000
302,326 (628)	Net expenditure in the Directorate analysis	388,194 (315)
63,078	Net expenditure of services and support services not included in the analysis	
	Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	(37,927)
0	Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	0
364,776	Cost of Services in Comprehensive Income and Expenditure Statement	349,952

Reconciliation to subjective analysis

This reconciliation shows how the figures in the analysis of Directorate Income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

2010/11 Subjective Analysis

[illegible]

2009/10 Subjective Analysis

Subjective Analysis 2009/10	Directorate analysis £000	Service and support services not in analysis £000	IFRS adjustments £000	Amounts not reported to management for decision making £000	Amounts not included in I&E £000	Allocation of recharges £000	Cost of services £000	Corporate amounts £000	TOTAL £000
Reconciliation to subjective analysis									
Fees, charges and other service income	(570,702)	0	7,982	0	0	0	(562,720)	0	(562,720)
Interest and investment income	0	0	25	0	0	0	25	(2,202)	(2,177)
Income from council tax	0	0	0	0	0	0	0	(201,392)	(201,392)
Government grants and contributions	0	0	0	0	0	0	0	(212,169)	(212,169)
Total Income	(570,702)	0	8,007	0	0	0	(562,695)	(415,763)	(978,458)
Employee expenses	453,893	(627)	(1,566)	(17,082)	0	0	434,618	(388)	434,229
Other service expenses	419,135	0	0	0	0	0	419,135		419,135
Support service recharges	0	0	0	0	0	0	0		0
Depreciation, amortisation and impairment	0	0	(3,566)	77,285	0	0	73,719		73,719
Interest payments	0	0	0	0	0	0	0	47,418	47,418
Precepts and levies	0	0	0	0	0	0	0	798	798
Gain or loss on disposal of fixed assets	0	0	0	0	0	0	0	(905)	(905)
Total Expenditure	873,028	(627)	(5,132)	60,203	0	0	927,472	46,923	974,394
(Surplus) or deficit on the provision of services	302,326	(627)	2,875	60,203	0	0	364,777	(368,840)	(4,064)
(Surplus) or deficit on the provision of services from restated CI&E	(4,064)								

30. Acquired and Discontinued Operations

The Council had no discontinued operations during 2010/11.

During 2010/11, the Council took on responsibility for the planning and commissioning of 14-19 year old learning provision. This function transferred from the Learning and Skills Council. The net spend on this activity in the year was £0.772m and it falls within the Education and Children's Services line of the Comprehensive Income and Expenditure Statement.

31. Trading Operations

The Council operates a number of trading units that undertake work on behalf of the County Council and for outside bodies, subject to Government regulations on external trading.

In 2010/11, the main areas of trading took place within Environment Directorate which operates the Port of Workington and within Resources Directorate where the Premises Unit provides cleaning and catering services.

	Premises		Port of Workington		Total	
	2010/11 £000	2009/10 £000	2010/11 £000	2009/10 £000	2010/11 £000	2009/10 £000
Income from charges	(1,658)	(2,280)	(1,752)	(2,946)	(3,410)	(5,226)
Expenditure	1,111	1,540	1,462	2,589	2,573	4,129
Depreciation & impairment	10	4	1,142	1,719	1,152	1,723
(Surplus) / Deficit	(537)	(736)	852	1,362	315	626

32. Agency Services

Agency work totalling £265,000 (2009/10 £259,000) was undertaken by the Council, mostly by Trading Standards on behalf of DEFRA. The cost of carrying out this work was matched by the income received.

33. Road Charging Scheme

The Council has no road charging schemes during 2010/11.

34. Pooled Budgets

Within Adult & Children's Social Care, there are occasions where the needs of service users cannot be met in full from within the County Council. In particular, there is a need to work with Primary Care Trusts as well as the Police and Probation services. The County Council has entered into a number of associations with these agencies to ensure proper care is provided in a co-ordinated manner. These associations are known as 'Pooled Funds' and the County Council and these agencies contribute to the costs of care. Grants are also received from Government. Surpluses and deficits are shared in accordance with the agreements made with the agencies and the County Council's share of overall surpluses or deficits are credited or charged to Adult and Cultural Services and Children's Services.

Youth Offending Service

Cumbria County Council acts as a lead agency for the Youth Offending Service within Cumbria, established in April 2000. The purpose of the Youth Offending Service is to work with young offenders and reduce the level of offending and re-offending amongst young persons.

Learning Disabilities Pooled Fund

Cumbria County Council acts as a host agency for the Learning Disabilities Pooled Fund, which was established in April 2000 under Section 75 of the Health Act 2006. The purpose of the pool is to arrange for commissioning and provision of services to people who have learning disabilities.

Integrated Community Equipment Services

The aim of the Integrated Community Equipment Services pooled fund is to enable joint commissioning of equipment and services and implementation of seamless and accessible services for service users. Health has lead responsibility, except in South Cumbria where Adult and Cultural Services is the lead partner.

Locality

The Locality pooled fund consolidates the former Generic care, Intermediate Care and Prevention pooled funds. Six district based Health and Social Care Joint Management teams use funds flexibly across these three services to develop local services that maintain the independence of (predominantly) older people, by helping them to stay at home for longer, preventing admission to hospital and assisting discharge from hospital.

The County Council's share of the results of each of the above Pooled funds is:

2010/11	Youth Offending Service	Learning Disability Pooled Fund	Integrated Community Equipment Services	Locality
Pooled Funds	£000	£000	£000	£000
<u>Income</u>				
Cumbria County Council	1,116	23,371	678	3,805
NHS Cumbria	145	23,881	165	3,859
Cumbria Police Service	156	0	0	0
Cumbria Probation Service	137	0	0	0
	1,554	47,252	843	7,664
Expenditure	1,569	47,625	815	7,151
Surplus/(Deficit) for year	(15)	374	(28)	(513)
Cumbria County Council's share of surplus/(deficit)	(15)	268	(22)	(255)

Note: The Locality pooled fund is a consolidation of Prevention, Intermediate care and Generic Care pooled funds which previously operated separately

2009/10	Youth Offending Service	Learning Disability Pooled Fund	Integrated Community Equipment Services	Prevention	Intermediate Care Pooled Fund	Generic Care
Pooled Funds	£000	£000	£000	£000	£000	£000
<u>Income</u>						
Cumbria County Council	1,013	23,207	719	456	2,208	997
NHS Cumbria	145	22,906	174	156	2,090	1,527
Cumbria Police Service	156	0	0	0	0	0
Cumbria Probation Service	137	0	0	0	0	0
	1,451	46,113	893	612	4,298	2,524
Expenditure	1,451	47,077	879	639	4,445	2,070
Surplus/(Deficit) for year	0	(964)	14	(27)	(147)	454
Cumbria County Council's share of surplus/(deficit)	0	(609)	11	(20)	(75)	179

35. Members' Allowances

Allowances and expenses paid to members during 2010/11 were:

31 st March 2010 £000	Type of Allowance	31 st March 2011 £000
675	Basic Allowances	669
257	Special Responsibility Allowance	261
143	Expenses	141
1,075		1,071

The allowances and expenses will be published in full on the Council's website at www.cumbria.gov.uk.

36. Officers' Remuneration

The Accounts and Audit Regulations 2009 extended the disclosure requirements for Officer's remuneration. The new requirements provide greater transparency in respect of the total remuneration package for the senior team charged with the stewardship of the organisation. Senior officers include the Chief Executive, Corporate Directors, the Monitoring Officer and the Chief Finance Officer whose post titles are Assistant Director-Legal and Democratic Services and Assistant Director-Finance respectively. The remuneration paid to the Council's senior employees is as follows:-

2010/11 Senior Officers' Remuneration

Post Title	Name	Salary	Bonuses	Expenses	Benefits in Kind	Total Remuneration excluding pension contributions	Employers Pension contributions	Total Remuneration including pension contributions
Chief Executive	Jill Stannard	170,000	0	0	321	170,321	31,620	201,941
Corporate Director - Resources	Diane Wood	129,562	0	0	104	129,666	25,507	155,173
Corporate Director – Adults & Local Services	Richard Parry	125,000	0	0	936	125,936	24,705	150,641
Corporate Director – Environment	Marie Fallon	125,000	0	0	861	125,861	24,684	150,545
Corporate Director – Safer & Stronger	Dominic Harrison (3)	123,452	0	0	0	123,452	26,295	149,747
Corporate Director – OD	Jim Savege	117,817	0	0	973	118,790	23,210	142,000
Assistant Director – Legal & Democratic Services	Angela Harwood	91,500	0	0	1,002	92,502	18,009	110,511
Assistant Director - Finance	Kate McLaughlin-Flynn	90,000	0	0	0	90,000	17,753	107,753
Corporate Director – Childrens' Services	Julia Morrison (from 1/9/10)	72,917	0	0	291	73,208	13,563	86,771
Corporate Director – Childrens' Services	Moir Swann (to 31/7/10)	44,064	0	0	326	44,390	9,124	53,514
		1,089,312	0	0	4,814	1,094,126	214,470	1,308,596

Notes

Salary - includes salary in respect of the post and other payments received by the officer, for example, allowances for special duties.

Bonuses – the Council operated a bonus/PRP scheme which came to an end on 31st March 2010. No bonus payments were made in 2010/11.

Expenses – includes payments not liable for taxation including for example, removal expenses. It does not include reimbursement of costs i.e. parking fees.

Benefits in Kind – includes expense allowances liable for taxation including for example, travel and mileage expenses.

2009/10 Senior Officers' Remuneration

Post Title	Name	Salary	Bonuses	Expenses	Benefits in Kind	Total Remuneration excluding pension contributions	Employers Pension contributions	Total Remuneration including pension contributions
Chief Executive	Peter Stybelski (1)	97,509	15,435	0	0	112,944	351,169	464,113
Chief Executive	Jill Stannard (2)	151,000	6,667	0	761	158,428	28,277	186,705
Corporate Director – Adults & Local Services	Richard Parry	124,133	7,254	0	828	132,215	23,144	155,359
Corporate Director - Resources	Diane Wood	128,062	0	0	93	128,155	22,411	150,566
Corporate Director – Childrens' Services	Moiria Swann	125,000	0	0	805	125,805	21,875	147,680
Corporate Director – Environment	Marie Fallon	124,664	0	0	741	125,405	21,816	147,221
Corporate Director – Safer & Stronger	Dominic Harrison (3)	115,000	0	0	0	115,000	24,495	139,495
Corporate Director – Organisational Development	Jim Savege	117,817	0	0	713	118,532	20,618	139,150
Assistant Director - Finance	Kate McLaughlin-Flynn	87,082	5,000	1,850	0	93,932	16,114	110,046
Assistant Director – Legal & Democratic Services	Angela Harwood	85,000	5,000	0	822	90,822	15,750	106,572
		1,155,267	39,356	1,850	4,765	1,201,238	545,669	1,746,907

Notes

Salary - includes salary in respect of the post and other payments received by the officer, for example, allowances for special duties.

Bonuses – the Council operated a bonus/PRP scheme which came to an end on 31st March 2010. No bonus payments were made in 2010/11.

Expenses – includes payments not liable for taxation including for example, removal expenses. It does not include reimbursement of costs i.e. parking fees.

Benefits in Kind – includes expense allowances liable for taxation including for example, travel mileage expenses.

Note 1 – Peter Stybelski, Chief Executive, was granted ill health retirement on 31/8/09, his annual salary was £170,000.

Note 2 – Jill Stannard, Corporate Director Adults & Cultural Services, was Acting Chief Executive from April 2009 to November 2009 at which time she took up the post on a permanent basis at a salary of £170,000.

Note 3 – Dominic Harrison, Corporate Director – Safer and Stronger. The annual salary in respect of 2009/10 was £117,817. The balance of this payment was received after 31st March 2010 and is included in the 2010/11 summary.

36. Officers' Remuneration cont'd

In addition to the Senior Officer's Remuneration details, the number of officers, over the year, who received annual remuneration more than £50,000 (excluding employer's pensions contributions) were paid the following amounts:

	2010/11 Number of Staff			2009/10 Number of Staff		
	School Staff	Other Staff	Total	School Staff	Other Staff	Total
£50,000 - £54,999	140	44	184	109	44	153
£55,000 - £59,999	73	31	104	69	24	93
£60,000 - £64,999	35	13	48	13	14	27
£65,000 - £69,999	15	9	24	13	9	22
£70,000 - £74,999	11	10	21	7	12	19
£75,000 - £79,999	4	3	7	8	3	11
£80,000 - £84,999	9	7	16	8	5	13
£85,000 - £89,999	4	4	8	0	3	3
£90,000 - £94,999	2	6	8	2	0	2
£95,000 - £99,999	0	1	1	1	1	2
£100,000 - £104,999	3	1	4	1	2	3
£105,000 - £109,999	1	0	1	2	0	2
£120,000 - £124,999	1	0	1	0	0	0
	298	129	427	233	117	350

Remuneration for these purposes consists of gross pay, sums due by way of expense allowances and the money value of any benefits received other than in cash.

37. External Audit Costs

The Council has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and to non-audit services provided by the Council's external auditors:

31 March 2010 £000	Type of Allowance	31 March 2011 £000
328	Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	238
17	Fees payable to the Audit Commission in respect of statutory inspection	50
51	Fees payable to the Audit Commission for the certification of grant claims and returns	68
396		356

38. Dedicated Schools Grant

The Council's expenditure on schools is funded primarily by grant monies provided by the Department for Education – the Dedicated Schools Grant (DSG). DSG is ring fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the Schools Finance (England) Regulations 2008. The Schools Budget includes elements for a range of educational services provided on an Council wide basis as well as the Individual Schools Budget (ISB), which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2010/11 are as follows:

	Central Expenditure £000	ISB £000	Total £000
Final DSG for 2010/11	22,778	233,395	256,173
Add Brought Forward from 2009/10	(479)	0	(479)
Less Carry forward to 2010/11 agreed in advance	0	0	0
Agreed budgeted distribution in 2010/11	22,299	233,395	255,694
Less Actual central expenditure	23,672	0	23,672
Less Actual ISB deployed to schools	0	233,395	233,395
Add Local Council contribution for 2010/11	0	0	0
Carry forward to 2011/12	(1,373)	0	(1,373)

The deficit on the central expenditure portion of the DSG budget has arisen after writing off the deficits totalling £1.188m on schools which became academies during 2009/10. The deficit is being recovered by top slicing the DSG allocation during the following three years.

39. Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2010/11.

31st March 2010 £000	Credited to Taxation and Non Specific Grant Income	31st March 2011 £000
25,776	Revenue Support Grant	18,323
27,265	Area Based Grant	33,850
180	LABGI Grant	0
5,441	PFI Grant	11,882
0	Performance Reward Grant	4,700
41,835	Capital Grants	71,114
100,497		139,869

39. Grant Income contd.

31 March 2010 £000	Grants Credited to Services	31 March 2011 £000
256,173	Dedicated Schools Grant	258,341
15,368	School Standards Grant	15,613
29,139	Standards Fund	24,459
12,841	Sure Start, Early Years and Childcare Grant	13,205
23,133	16-18 funding Learning & Skills Council	23,405
11,853	Supporting People (included in ABG from 2010/11 onwards)	0
3,323	Adult & Community Learning	2,489
2,072	Social Care Reform	2,563
1,051	Youth Offending Teams	1,313
0	Sixth Form funding from YPLA	12,211
19,153	Other grants	34,748
29,469	REFCUS grants	23,268
403,575		411,614

The Council has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver. The balances at the year-end are as follows:

31st March 2009 £000	31st March 2010 £000	Capital Grants Receipts in Advance	31st March 2011 £000
14,490	44,247	Capital Grants	44,534
14,490	44,247		44,534

40. Related Parties

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the council or to be controlled or influenced by the council. Disclosure of these transactions allows readers to assess the extent to which the council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

Central Government

Central government has effective control over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in Note 29 on reporting for resources allocation decisions. Grant receipts outstanding at 31 March 2011 are shown in Note 39.

Members

Members of the Council have direct control over the council's financial and operating policies. The total of Members' Allowances paid in 2010/11 is shown in Note 35. Members declare any transactions that they, their families or organisations in which they have a controlling interest have undertaken with the County Council outside of their roles as elected councillors. During 2010/11 works and services to the value of £251,133 were commissioned from a company in which one member (Councillor T Markley) had an interest, the balance owed by the company at 31st March 2011 was £235, and the balance owed to the company was nil. Contracts were entered into in full compliance with the council's standing orders. A number of Members represent trusts and non profit making organisations which receive funding from the Council.

Officers

Senior Officers declare any transactions that they, their families or organisations in which they have a controlling interest have undertaken with the County Council outside of their roles as employees of the Council. Works and services were commissioned during the year from companies in which officers have interests:

- P Latimer. Value of works during the year - £81,300 and there was £120 owed to the company and £37 owed by the company at 31st March 2011.
- L Robb. Value of works during the year - £4,367 and there was nothing owed at 31st March 2011.

Other minor declarations are not included.

Other Public Bodies

Pooled Funds

The Council has pooled budget arrangements with a number of organisations, the details of which are included in Note 34.

North West Partnership Board

The North-West Fire and Rescue Management Board was disbanded from the previous format in July 2010. This was following the Government decision to remove the necessity from the Fire and Rescue National Framework 2008-2011 for Fire and Rescue services to work through Regional Management Boards. This would also encourage Authorities to work collaboratively determined in the best way that works under local arrangements. The accounts were concluded for the North-West Fire and Rescue Management Board and no separate audit for the Board is to be conducted for 2010/11.

The North-West Fire and Rescue Authorities have decided to continue to work collaboratively and a new Board has been set up with effect from March 2011 called the North-West Partnership Board. This is a new Joint committee of the five fire authorities in the North West (Cheshire, Cumbria, Greater Manchester, Lancashire and Merseyside). The committee is comprised of councillors from the five constituent authorities.

The objectives of the North-West Partnership Board are as below:

- Develop the sharing of best practice from across the North West and beyond to influence future business.
- Encourage the provision of sustainable and increasingly efficient prevention, protection and intervention services to reduce overall risk.
- Influence the implementation of value led strategies on a localised basis.
- Provide the platform for continuing collaboration between NW Fire and Rescue Services to promote increasing value in all aspects of service delivery.
- Lobby key internal and external partners to improve fire and rescue service policies and processes.
- To lead continuous improvement through delivery of a sector led, peer reviewed approach.

During 2010/11 transactions were made between the five Authorities totalling the following with outstanding balances also noted in relation to each. Greater Manchester Fire and Rescue Council manages the income and expenditure on behalf of the region.

Council	Transaction Totals Expenditure/ (Income) (£m)	Outstanding Balance at 31/03/2011 Creditor/ (Debtor) (£m)
Greater Manchester	0.189	0.134
Merseyside	(0.049)	(0.049)
Lancashire	(0.036)	(0.034)
Cheshire	(0.025)	(0.025)
Cumbria	(0.079)	(0.026)

NW FiReControl Limited

NW FiReControl Limited is a company limited by guarantee which was incorporated in July 2007 and was established to operate a Regional Control Centre with the responsibility for Fire and Rescue Service mobilisation for the North West region.

The company has five members, the Cheshire, Cumbria, Greater Manchester, Lancashire and Merseyside Fire & Rescue Authorities (FRAs). The liability of each member in the event of the company being wound up is limited and shall not exceed £1. Each member of the company has the right to appoint 2 directors, who are Councillors appointed to their respective FRAs. All directors have equal voting rights.

During 2010/11 in December 2010 the Fire Minister announced the closure of the FiReControl project. A consultation was then published in January 2011 for the Fire and Rescue community to decide on the future of its control room services. The resulting outcome for the North-West is expected to be finalised in July 2011 and it will be then be known as to whether this project will continue and in what format for the region.

During 2010/11 the company has continued to be funded by a section 31 grant from the Department for Communities and Local Government and all

accommodation expenditure will continue to be funded until the regional decision and negotiations are finalised. The grant is paid to Greater Manchester Fire & Rescue Council as lead Council for the North West region and released to the company as required.

In accordance with the accounting Code, the Council has considered any requirement for the preparation of Group Accounts as a result of its relationship with NW FiReControl Limited. It has been determined that the company will be accounted for as a joint venture for Group Accounts purposes within the accounts of the Council. This will be reviewed in forthcoming financial years based on the future of the Company and if any Fire and Rescue Council influence positions or Company governance arrangements have changed.

However on the basis of materiality it has been determined that Group Accounts are not required for the financial year 2010/11 having considered both qualitative and quantitative factors, including the following:

- The Council does not depend on the company for continued provision of statutory services at present and activities provided by the control function remain within the individual Fire Authorities.
- The company is not operational in providing a public service and is not expected to become so until financial year 2014/15 if the regional project is to go ahead under new arrangements being negotiated.
- The only trading activity of the Company is currently the use of facilities at the building which is charged out accordingly to other Fire Authorities and organisations.
- The Council's share of the gross administrative expenses of the company in the financial year 2010/11 (20% of £2.147m) is not material in the context of the Council's gross expenditure.
- The Council is not expected to make any contribution to the company until it commences using the company's services.
- The cost of running the company is covered by section 31 grant from the Department for Communities and Local Government, bank interest earned and small values of trading profit.
- The liability of the Council is limited to a maximum of £1.

The table below shows the key information from the financial statements of NW FireControl:

Accounts Information	Year-Ended 2010/11 £000s	Year-Ended 2009/10 £000s
Net Assets	69	43
Profits Before Taxation	10	68
Profits After Taxation	10	56
Debtor Balance (GMFRS)	19	31
Creditor Balance (GMFRS)	422	262

Entities Controlled or Significantly Influenced by the Council

One of the County Council's key strategic objectives is the creation of wealth for Cumbria. In some instances, the County Council has taken a direct investment in companies such as Cumbria Waste Management Ltd.

The results of Cumbria Waste Management Ltd and its subsidiary and associate have been consolidated within the group accounts.

	Cumbria Waste Management Ltd	
Address for copies of the published accounts	The Company Secretary, Unit 5A, Wavell Drive, Rosehill Estate, Carlisle, CA1 2ST	
Nature of Business	Waste disposal services	
Shareholding	100%	
Net Assets	2010/11 £14.67m	2009/10 £14.53m
Profit/(Loss) before Tax	£2.185m	£5.574m
Profit/(Loss) after Tax	£1.324m	£4.202m
Dividends Received	£1.045m	£1.245m

Council funds are rarely available for such ventures and the Council believes that supporting worthwhile initiatives rather than making direct investments normally best serves its contribution to economic regeneration within Cumbria. This support is made in a number of ways but can include:

- Acting as the Accountable Body. The County Council effectively becomes the conduit enabling available funding streams to be accessed in a more effective manner. As the County Council is underwriting performance on these projects for which grants have been obtained, it is incurring a financial risk. However, without this position being taken, many sources of funding would not be available.
- Providing administrative and advisory support.
- Providing political support through the involvement of members.
- Providing technical expertise, particularly for land reclamation schemes.

The Council has considered the following organisations in which it has shareholdings and voting rights. As they are partnerships with a number of other parties with decisions covered by majority voting, where the Council is a minority partner, it is not appropriate for the County Council to consolidate any of these entities in the Group Accounts.

Entity	Purpose	Structure
West Cumbria New Vision Urban Regeneration Company Ltd (West Lakes Renaissance)	To promote regeneration within Furness and West Cumbria	Company limited by guarantee. It is a designated urban regeneration company with structural changes requiring the approval of the Department for Communities and Local Government. The company is private sector led with the Council having 1 director (17%) on the Board out of a total of 6. At the 25th February 2011 board meeting it was agreed to wind up the company following the decision to abolish regional development agencies which provides the funding for the company.
West Cumbria Development Fund & West Cumbria Development Agency	West Cumbria is facing significant losses of employment opportunities following the decommissioning of the Sellafield nuclear facility. These companies aim to support new business initiatives and to promote economic development.	Both companies are limited by guarantee with participation from the British Nuclear Group and the Allerdale and Copeland Borough Councils. The County Council's holding is 17% in West Cumbria Development Fund and 25% in West Cumbria Development Agency.
Maryport Development Limited	To re-develop areas of Maryport, particularly the harbour front, to encourage economic regeneration.	Company limited by guarantee with the County Council holding a 9.5% stake. The North West Development Agency and West Lakes Development Fund hold the majority of the shares.
Lillyhall Partnership	Operates a newly developed business park near Workington.	The North West Development Agency owns the properties.

The County Council has the following direct investments in companies limited by guarantee. The results of these companies are included in the group accounts.

Cumbria Capital Fund

The objective of this company is to promote and encourage commercial and industrial activity and enterprise within Cumbria, primarily within the Districts of Carlisle, Eden, South Lakeland and Barrow. The County Council has 100% control. The company has net assets of £188,513. Copies of the accounts can be obtained from the Assistant Director - Finance, Lonsdale Building, The Courts, Carlisle, Cumbria CA3 8NA.

Invest in Cumbria Ltd

The objective of this company is to promote Cumbria and to attract new investment. The company is limited by guarantee and the Council owns 100% of the shares. The company made a loss of £84,750 in the year to 31st March 2011 and had net assets of £157,751. Copies of the accounts can be obtained from the Assistant Director - Finance, Lonsdale Building, The Courts, Carlisle, Cumbria CA3 8NA.

Traveline Cumbria Ltd

The County Council has a 49% interest in this company with the balance owned by Stagecoach Ltd. The company provides a travel enquiry call centre as part of the Council's integrated travel policy. The company made a profit of £4,816 in the year to 31st March 2011 and had net assets of £95,244. Copies of the accounts can be obtained from the Assistant Director - Finance, Lonsdale Building, The Courts, Carlisle, Cumbria CA3 8NA.

During 2010/11 the Council paid the following sums to companies in which it has an interest:

Organisation	Grants £000	Commercial Transactions £000	Total £000
Invest in Cumbria Ltd		64	64
Cumbria Waste Management Ltd	24	631	655
Lakeland Waste Management Ltd	7	57	64
Cumbria Waste Recycling	0	181	181
Traveline Cumbria Ltd	0	57	57
West Cumbria Development Fund	0	60	60
West Cumbria Development Agency	0	1	1
West Lakes Renaissance	198	1	199
	228	1,053	1,281

The County Council also supports numerous other schemes and ventures desired to promote economic growth with grant contributions.

41. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases and PFI/PPP contracts), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed in the second part of this note.

Movements on Capital Financing Requirement

Movement on Capital Financing Requirement	2010/11 £000	2009/10 £000
Opening Capital Financing Requirement	371,064	341,358
Capital Investment:		
Property, Plant and Equipment	105,044	88,476
Investment Properties	0	0
Intangible Assets	207	0
Revenue Expenditure Funded From Capital Under Statute	27,388	30,457
Capitalisation of Equal Pay	0	5,149
Sources of Finance:		
Capital Receipts	(1,874)	(2,640)
Government Grants and Contributions	(93,868)	(71,498)
Sums set aside from revenue:		
Minimum Revenue Provision	(21,017)	(13,874)
Revenue Contributions	(6,349)	(6,364)
Closing Capital Finance Requirement	380,595	371,064
Explanations of Movement in Year:		
Increase in underlying need to borrow		
- Supported by Government Financial Assistance	3,124	18,065
- Unsupported by Government Financial Assistance	525	11,641
Assets acquired under finance leases	5,883	
Increase/(decrease) in Capital Financing Requirement	9,532	29,706

Minimum Revenue Provision

The County Council is required to set aside a minimum revenue provision for the redemption of external debt. For 2010/11 this amount was £21.016m (2009/10 £13.873m). The difference between this amount and depreciation is transferred to the Capital Adjustment Account to ensure capital charges do not impact on the amount to be raised by Government grant and local taxation.

42. Leases

Council as Lessee

Finance Leases

The Council has acquired a number of assets using finance leases. The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

31 st March 2009 £000	31 st March 2010 £000	Finance Leases	31 st March 2011 £000
5,479 0	7,401 0	Other Land and Buildings Vehicles, plant, Furniture & Equipment	8,096 0
5,479	7,401		8,096

The Council is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the property acquired by the Council and finance costs that will be payable by the Council in future years while the liability remains outstanding. For all the Council's finance lease assets there are minimum rentals paid (maximum annual payment £25 pa) hence the payments have not been split between financing costs and principal elements.

The minimum lease payments will be payable over the following periods:

	Minimum Lease Payments			Finance Lease Liabilities		
	31st March 2009	31st March 2010	31st March 2011	31st March 2009	31st March 2010	31st March 2011
	£000	£000	£000	£000	£000	£000
Not later than one year	26	26	26	0	0	0
Later than one year but not later than five years	104	104	104	0	0	0
Later than five years	250	224	198	0	0	0
	380	354	328	0	0	0

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2009/10 and 2010/11 there no contingent rents payable by the Council.

The Council has not sub let any of the assets held under these finance leases.

Operating Leases

The Council leases a number of buildings and land as operating leases over varied time periods. The Council also leases in vehicles, plant and equipment. Operating leases give the Council the right to use the assets for a period of time, but do not give similar ownership rights as for assets acquired under finance leases.

The future minimum lease payments due under non-cancellable leases in future years are:

	31st March 2010			31st March 2011		
	Operational Land & Buildings	Equipment & Other Leases	Total	Operational Land & Buildings	Equipment & Other Leases	Total
	£000	£000	£000	£000	£000	£000
Not later than one year	1,108	522	1,630	1,090	729	1,819
Later than one year but not later than five years	922	311	1,233	1,747	735	2,482
Later than five years	2,206	386	2,592	897	502	1,400
	4,236	1,219	5,454	3,735	1,966	5,701

The expenditure is allocated to the appropriate service within the Comprehensive Income and Expenditure Statement for 2010/11.

Council as lessor

The Council has a number of leased out properties all of which are operating leases. It leases out these properties for the following purposes:

- the provision of community services, such as sports facilities and community centres
- for economic development purposes to provide suitable office accommodation for local businesses.

Operating leases

The future minimum lease payments receivable under non cancellable leases in future years:

	31st March 2010			31st March 2011		
	Operational Land & Buildings	Equipment & Other Leases	Total	Operational Land & Buildings	Equipment & Other Leases	Total
	£000	£000	£000	£000	£000	£000
Not later than one year	1,671	0	1,671	1,591	0	1,591
Later than one year but not later than five years	7,339	0	7,339	6,560	0	6,560
Later than five years	3,631	0	3,631	3,403	0	3,403
	12,641	0	12,641	11,554	0	11,554

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2010/11 no contingent rents were receivable by the Council

43. Private Finance Initiatives and Similar Contracts

Waste Management Contract

The Waste Management Contract was signed in June 2009, it is a 25 year Public Private Partnership (PPP) contract between the County Council and Shanks Waste Management Ltd worth an estimated £725m. The overall aim of the project is to reduce the volume of waste sent to landfill and hence reduce landfill taxes and potential fines arising from the Government's Landfill Allowance Trading Scheme.

To achieve this aim, Shanks will construct and operate two new waste treatment facilities; one in the North and one in the South of the County, these are designed to dramatically reduce the amount of residual waste sent to landfill. Shanks will also be responsible for managing, maintaining and operating the existing 14 Household Waste Recycling Centres across the County.

Both of the new waste treatment facilities are scheduled to be fully operational by 2013. It is expected that the waste treatment in the North will be operational by April 2012. Until that time Shanks have taken over responsibility for disposing of the County's residual waste via landfill. Once the facilities are operational, treated waste is converted into solid recovered fuel that can be used as an alternative energy source.

Property, Plant and Equipment

The assets to be used as part of the contract are still under construction. They are not included within the Council balance sheet at this stage, as the risks and rewards of build remain with the contractor. Once the assets are operational they will be recognised on the Council's balance sheet.

Payments

The Council is paying for these services via an annual unitary charge which is made up of fixed and variable element. The unitary charge is subject to annual indexation, some prices, such as landfill, will be market tested regularly.

The Council is committed to making the following payments under the waste management PPP scheme:

	Service charges	Prepayment	Lifecycle Repayment Costs	Finance Cost	Finance Lease Principal	Contingent Rents	Total
	£000	£000	£000	£000	£000	£000	£000
Payable in 2011/12	13,989	0	0	0	0	3,273	17,262
Payable within 2 and 5 years	71,494	0	574	10,749	8,561	3,403	94,781
Payable within 6 and 10 years	102,634	0	1,928	12,918	10,503	7,285	135,268
Payable within 11 and 15 years	117,255	0	2,536	10,016	12,317	10,904	153,028
Payable within 16 and 20 years	132,909	0	4,004	6,209	15,424	14,708	173,254
Payable within 21 and 25 years	93,586	0	864	1,569	13,179	12,691	121,889

Although the payments made to the contractor are described as unitary payments, they have been calculated to compensate the contractor for the fair value of the services they provide, the capital expenditure incurred and interest payable whilst the capital expenditure remains to be reimbursed. The liability outstanding to pay the contractor for capital expenditure incurred has not yet been recognised. The liability will be established at the same time that the asset is recognised on the balance sheet.

Carlisle Northern Development Route

The Carlisle Northern Development Route (CNDR) contract was signed in July 2009, it is a 30 year Private Finance Initiative (PFI) contract between the County Council and Connect CNDR Ltd worth an estimated £439m. The contract is an essential component of the economic regeneration of West Cumbria, one of the most economically deprived parts of the North West.

The primary aim of the contract is to design, build finance and operate a new 8.3km largely single carriageway road to connect the North and West of Carlisle. It will relieve pressure on radial routes within Carlisle City, which is key to realising development of the strategic employment site at Kingmoor Park to its full potential of 5,500 jobs. The CNDR is scheduled to be fully completed, contractually, by 2013. Connect CNDR are also responsible for the management, maintenance and operation of some 150km of the existing principal road network in the surrounding area.

Property, Plant and Equipment

The assets to be used as part of the contract are still under construction. They are not included within the Council balance sheet at this stage as the risks and rewards of the build remain with the contractor. Once the assets are operational they will be recognised on the Council's balance sheet.

Payments

The Council is paying for these services via an annual unitary charge which is made up of fixed and variable element and is subject to annual indexation. The Council will receive financial support from the Department for Transport in the form of PFI Credits totalling £158m.

The Council is committed to making the following payments under the CNDR PFI scheme:

	Service charges	Prepayment	Lifecycle Repayment Costs	Finance Cost	Finance Lease Principal	Contingent Rents	Total
	£000	£000	£000	£000	£000	£000	£000
Payable within 1 year	1,988	2,290	1,417	0	0	1	5,695
Payable within 2 and 5 years	12,564	0	8,037	16,907	10,684	3,999	52,191
Payable within 6 and 10 years	17,437	0	11,165	25,411	7,771	9,396	71,180
Payable within 11 and 15 years	19,861	0	15,506	20,474	7,922	12,756	76,519
Payable within 16 and 20 years	23,820	0	18,899	15,166	9,196	15,472	82,553
Payable within 21 and 25 years	27,590	0	23,784	9,275	11,269	17,454	89,372
Payable within 26 and 30 years	22,100	0	19,058	2,629	8,710	12,106	64,603

Although the payments made to the contractor are described as unitary payments, they have been calculated to compensate the contractor for the fair value of the services they provide, the capital expenditure incurred and interest payable, whilst the capital expenditure remains to be reimbursed. The liability outstanding to pay the contractor for capital expenditure incurred has not yet been recognised. The liability will be established at the same time that the asset is recognised on the balance sheet.

Fire Station Replacement PFI Scheme

The Council is involved in a second PFI project, with Merseyside and Lancashire Fire and Rescue Authorities, to deliver sixteen new fire stations, five of which will be in Cumbria. The basis of the partnership is set out in a joint working agreement. Contracts were signed between Balfour Beatty Fire and Rescue NW Ltd in February 2011, with construction commencing in 2011/12 and scheduled completion in 2013/14. The contract will run for 25 years from the date of final handover, and the Council will pay a unitary payment. As no services had commenced in 2010/11 no account of these future costs or liabilities is included in the Statement of Accounts.

- Carlisle - 2 sites - Carlisle East and Carlisle West.
- Workington – To include the Locality Headquarters.

- Penrith - To include the Council's Resilience Unit and Fire & Rescue Service Headquarters & Learning & Development Department.
- Patterdale – On existing site.

Property, Plant and Equipment

The assets to be used as part of the contract are still under construction. They are not included within the Council balance sheet at this stage as the risks and rewards of build remain with the contractor. Once the assets are operational they will be recognised on the Council's balance sheet.

Payments

The Council is paying for these services via an annual unitary charge which is made up of fixed and variable element and is subject to annual indexation. The County Council will receive financial support from the Department for Communities and Local Government in the form of PFI Credits totalling £66.4m.

The Council is committed to making the following payments under the Fire Station Replacement PFI scheme:

	Total
	£000
Payable within 1 year	119
Payable within 2 and 5 years	7,650
Payable within 6 and 10 years	10,747
Payable within 11 and 15 years	11,281
Payable within 16 and 20 years	11,885
Payable within 21 and 25 years	12,569
Payable within 26 and 30 years	3,287

Although the payments made to the contractor are described as unitary payments, they have been calculated to compensate the contractor for the fair value of the services they provide, the capital expenditure incurred and interest payable, whilst the capital expenditure remains to be reimbursed. The liability outstanding to pay the contractor for capital expenditure incurred has not yet been recognised. The liability will be established at the same time that the asset is recognised on the balance sheet.

44. Impairment Losses

The Council has incurred an impairment loss of £0.114m in respect of one property in Kendal.

45. Capitalisation of Borrowing Costs

There was no capitalisation of borrowing costs in 2010/11.

46. Termination Benefits

The Council terminated the contracts of a number of employees in 2010/11, incurring liabilities of £1.7m (£0.219m in 2009/10).

47. Pension Schemes Accounted for as Defined Contribution Schemes

Teachers

Teachers employed by the Council are members of the Teachers' Pension Scheme, administered by the Department for Education. The Scheme provides teachers with specified benefits upon their retirement, and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries. The Scheme is a defined benefit scheme. However, the Scheme is unfunded and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. The Council is not able to identify its share of the underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme. In 2010/11, the county council paid £20.9m to Teachers' Pensions in respect of teachers' retirement benefits, representing 14.1% of pensionable pay. The figures for 2009/10 were £21.1m and 14.1%. Additional and discretionary pensions paid to retired teachers by the County Council totalled £3.3m. There were no contributions remaining payable at the year-end.

Firefighters Pension Scheme

The Fire and Rescue Service has two pension schemes (1992 and 2006 schemes), which are both unfunded, meaning that there are no investment assets built up to meet the pension liabilities. Finance is only required to be raised to cover Firefighters pensions when the pensions are actually paid. The Department of Communities and Local Government provide a top-up grant to meet the gap between pensions paid and contributions from employees and employers collected.

Under the 1992 Scheme benefits paid, including lump sums, were £5.3m. Employee contributions were £0.853m (11%) and employer contributions were £1.6m which equated to 21.3% of pensionable pay. Under the 2006 Scheme there were benefits of £0.001m paid. Employee contributions were £0.150m (8.5%) and employer contributions were £0.193m which equated to 11% of pensionable pay.

48. Defined Benefit Pension Schemes

Participation in Pensions Schemes

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

The majority of the County Council's staff belong to Cumbria Local Government Pension Scheme. This is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets over a period of 19 years. The deficit on the Local Government Scheme will be made good by increased contributions over the remaining working life of employees as assessed by the Scheme Actuary.

The total of employers' contributions to the scheme in 2010/11 was £29.4m (2009/10 £31.8m), which represented 18.6% of pensionable pay. The contribution rates are based upon a triennial actuarial review of the fund. Additional pensions, redundancy related pensions and actuarial strain payments totalled £3.3m in both 2010/11 and 2009/10.

Transactions Relating to Post-employment Benefits

The Council recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge the Council is required to make against council tax is based on the cash payable in the year, so the real cost of post employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

48.1 Transactions Relating to Retirement Benefits

	LGPS		Firefighters		Teachers		Total	
	31st March 2011 £000	31st March 2010 £000	31st March 2011 £000	31st March 2010 £000	31st March 2011 £000	31st March 2010 £000	31st March 2011 £000	31st March 2010 £000
Comprehensive Income & Expenditure Statement								
<i>Cost of Services:</i>								
Current Service Cost	(30,745)	(19,300)	(5,310)	(3,401)	0	0	(36,055)	(22,701)
Past Service Gains	60,593	(665)	12,300	0	2,292	0	75,185	(665)
Settlement and Curtailments	(492)	(1,055)	0	0	0	0	(492)	(1,055)
<i>Financing and Investment Income & Expenditure</i>								
Interest Cost	(60,445)	(54,696)	(10,614)	(8,822)	(2,228)	(2,468)	(73,287)	(65,986)
Expected Return on Scheme Assets	41,485	31,869	0	0		0	41,485	31,869
<i>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</i>	10,396	(43,847)	(3,624)	(12,223)	64	(2,468)	6,836	(58,538)
<i>Other Post Employment Benefit Charged to the Comprehensive Income & Expenditure Statement</i>								
Actuarial Gains and Losses	98,770	(136,850)	28,821	(50,242)	(509)	(6,589)	127,082	(193,681)
<i>Total Post Employment Benefit Charged to the Comprehensive Income & Expenditure Statement</i>	109,166	(180,697)	25,197	(62,465)	(445)	(9,057)	133,918	(252,219)
Movement in Reserves Statement								
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the code	(10,396)	43,847	3,624	12,223	(64)	2,468	(6,836)	58,538
<i>Actual Amount Charged against the General Fund Balance for pensions in the year</i>								
Employers' Contributions Payable to the Scheme	(32,416)	(33,085)	(5,022)	(5,088)				
Retirement Benefits Payable to Pensioners					(3,277)	(3,330)		

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2010/11 is a loss of £245.286m.

Summary of Actuarial Gains/Losses	£000
2006/07	(55,381)
2007/08	39,878
2008/09	(59,974)
2009/10	193,681
2010/11	127,082
	245,286

Assets and Liabilities in Relation to Post-employment Benefits

Reconciliation of present value of the scheme liabilities (defined benefit obligation):

48.2 Reconciliation of Present Value of Scheme Liabilities

	LGPS		Firefighters		Teachers		Total	
	31st March 2011	31st March 2010	31st March 2011	31st March 2010	31st March 2011	31st March 2010	31st March 2011	31st March 2010
	£000	£000	£000	£000	£000	£000	£000	£000
Opening Balance at 1 April	(1,076,206)	(772,265)	(186,077)	(128,700)	(42,147)	(36,420)	(1,304,430)	(937,385)
Current Service Cost	(30,745)	(19,300)	(5,310)	(3,401)	0	0	(36,055)	(22,701)
Interest Cost	(60,445)	(54,696)	(10,614)	(8,822)	(2,228)	(2,468)	(73,287)	(65,986)
Contributions by Scheme Participants	(10,017)	(10,027)	(1,006)	(1,029)	0	0	(11,023)	(11,056)
Actuarial Gains and Losses	82,565	(251,313)	28,821	(50,242)	(509)	(6,589)	110,877	(308,144)
Benefits Paid	34,430	33,115	6,028	6,117	3,277	3,330	43,735	42,562
Past Service Gains	60,593	(665)	12,300	0	2,292	0	75,185	(665)
Curtailments	(492)	(1,055)	0	0	0	0	(492)	(1,055)
	(1,000,317)	(1,076,206)	(155,858)	(186,077)	(39,315)	(42,147)	(1,195,490)	(1,304,430)

An explanation of the elements in the table above is set out below:

The change in the net pensions liability is analysed into seven components:

- current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the revenue accounts of services for which the employees worked.
- past service cost (gains) – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Cost of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
- interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid

- debited to Net Operating Expenditure in the Comprehensive Income and Expenditure Statement.
- expected return on assets – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return – credited to Net Operating Expenditure in the Comprehensive Income and Expenditure Statement.
- gains/losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited to the Cost of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions .
- contributions paid to the Cumbria County Pension Fund – cash paid as employer’s contributions to the pension fund.

Statutory provisions limit the Council to raising Council Tax to cover the amounts payable by the Council to the pension fund in the year. In the Movement on Reserves Statement this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and any amounts payable to the fund but unpaid at the year end.

Reconciliation of fair value of the scheme assets:

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was a gain of £52.358m (2009/10 gain of £146.332m).

48.3 - Reconciliation of fair value of the scheme assets

	2010/11 £000	2009/10 £000
Opening Balance at 1 April	672,457	516,128
Expected Rate of Return	41,485	31,869
Actuarial Gains and Losses	16,205	114,463
Employer Contributions	32,416	33,085
Contributions by Scheme Participants	10,017	10,027
Benefits Paid	(34,430)	(33,115)
Closing Balance at 31 March	738,150	672,457

Scheme History

48.4 Scheme History

	2006/07 £000	2007/08 £000	2008/09 £000	2009/10 £000	2010/11 £000
<u>Present value of liabilities</u>					
Local Government Pension Scheme	(816,394)	(901,870)	(772,265)	(1,076,206)	(1,000,317)
Firefighters Pension Scheme	(155,640)	(136,150)	(128,700)	(186,077)	(155,858)
Teachers	(37,528)	(42,847)	(36,420)	(42,147)	(39,315)
<u>Fair value of assets</u>					
Local Government Pension Scheme	609,820	621,825	516,128	672,457	738,150
<u>Surplus/Deficit in the scheme</u>					
Local Government Pension Scheme	(206,574)	(280,045)	(256,137)	(403,749)	(262,167)
Firefighters Pension Scheme	(155,640)	(136,150)	(128,700)	(186,077)	(155,858)
Teachers	(37,528)	(42,847)	(36,420)	(42,147)	(39,315)
	(399,742)	(459,042)	(421,257)	(631,973)	(457,340)

The liabilities show the underlying commitments that the Council has in the long run to pay post employment (retirement) benefits. The total liability of £457.340m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, resulting in an overall balance of £267.633m. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy:

- the deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary.
- finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

The total contributions expected to be made to the Local Government Pension Scheme by the council in the year to 31 March 2012 is £12.530m. Expected contributions for the Discretionary Benefits scheme in the year to 31 March 2012 are £8.299m.

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Mercer Ltd, an independent firm of actuaries, estimates for the County Council Fund being based on the latest full valuation of the scheme as at 1 April 2007.

The principal assumptions used by the actuary have been:

48.5 – Actuary's assumptions

	LGPS		Firefighters Scheme		Teachers	
	31 st March 2011 %	31 st March 2010 %	31 st March 2011 %	31 st March 2010 %	31 st March 2011 %	31 st March 2010 %
Long term expected rate of return on assets in the scheme:						
Equity Investments	7.5%	7.5%	-	-	-	-
Government Bonds	4.5%	4.5%	-	-	-	-
Bonds	5.2%	5.2%	-	-	-	-
Property	6.5%	6.5%	-	-	-	-
Cash/Liquidity	0.5%	0.5%	-	-	-	-
Other	7.5%	7.5%	-	-	-	-
Mortality Assumptions:						
Longevity at 60 for current pensioners:						
Men	-	-	26.8	27.4	-	-
Women	-	-	29.1	29.9	-	-
Longevity at 60 for future pensioners:						
Men	-	-	28.4	29.6	-	-
Women	-	-	30.7	31.8	-	-
Longevity at 65 for current pensioners:						
Men	21.8	21.2	-	-	21.8	21.2
Women	24.4	24.1	-	-	24.4	24.1
Longevity at 65 for future pensioners:						
Men	23.2	22.2	-	-	23.2	22.2
Women	26.0	25.0	-	-	26.0	25.0
Rate of RPI inflation	3.4%	3.3%	3.5%	3.5%	3.3%	3.2%
Rate of CPI inflation	2.9%	2.8%	3.0%	3.0%	2.8%	n/a
Rate of increase in salaries	4.65%*	5.05%	4.5%*	5.0%	-	-
Rate of increase in pensions	2.9%	3.3%	3.0%	3.5%	2.8%	3.2%
Rate for discounting scheme liabilities	5.5%	5.6%	5.5%	5.7%	5.4%	5.5%
Take up of option to convert annual pension into retirement lump sum	50%	50%	50%			

Note* - Includes an allowance for short term public sector pay restraint as announced by the Government.

In the UK budget statement on 22 June 2010 the Chancellor announced that with effect from 1 April 2011 public service pensions would be up-rated in line with the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI).

This has the effect of reducing the Council's liabilities as follows:

- Local Government Pension Scheme by £60.593m.
- Firefighters Pension Scheme £12.300m
- Teachers Pension Scheme £2.292m

These have been recognised as past service gains in accordance with guidance set down in UITF Abstract 48, since the change is considered to be a change in benefit entitlement. There is no impact on the General Fund Balance.

The firefighters and teachers pension schemes have no assets to cover its liabilities. The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

48.6 LGPS Assets

	2010/11 %	2009/10 %
Equity Investments	51.6%	53.1%
Government Bonds	18.0%	20.4%
Other Bonds	14.0%	9.8%
Property	6.1%	5.8%
Cash/Liquidity	1.6%	2.3%
Other Assets	8.7%	8.6%
	100.0%	100.0%

History of Experience Gains and Losses

The actuarial experience gains (or losses) identified as movements on the Pensions Reserve in 2010/11 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2011:

	2006/07 %	2007/08 %	2008/09 %	2009/10 %	2010/11 %
LGPS					
Differences between the expected and actual return on assets	12.6%	6.1%	(29.9%)	17.0%	2.2%
Experience gains and losses on liabilities	(1.9%)	1.1%	0%	0%	3.5%
Firefighters 1992 Pension Scheme					
Experience gains and losses on liabilities	0.2%	2.58%	(0.8%)	0%	4.9%
Firefighters 2006 Pension Scheme					
Experience gains and losses on liabilities	0.2%	(1.35%)	52.3%	0%	43.2%
Teachers					
Experience gains and losses on liabilities	0%	2.0%	0%	0%	0.5

49. Contingent Liabilities

Single Status and Equal Pay

The equal pay and modernisation reserve stands at £31.542m as at 31 March 2011. The Council will implement Single Status with effect from September 2011, costs arising from this work will be a call on this reserve. Work has started on the second phase of Equal Pay and provision has been made for the 221 claims made in phase 2a. There have been 234 claims received from Teaching Assistants which have not been provided for. If the Council's current reserves are insufficient to meet the final cost of this second phase then any borrowing or use of capital receipts to fund these payments will be dependent on obtaining government approval to capitalise the expenditure.

Property Lease

An amount of £0.3m has been claimed against the Council by a social housing provider in relation to the purchase of a property. The Council disputes the existence of a contractual arrangement with the Council to lease the property and has made no provision in the accounts. Resolution is currently being pursued through legal negotiation.

Employment Tribunal

An amount of £1m has been estimated in respect of potential liabilities in relation to a number of employment tribunals (excluding equal pay) which are at varying stages in the legal process. Resolution is currently being pursued through legal negotiation and no provision has been made in the accounts.

Accountable Body Status

The County Council is the Accountable Body for a number of organisations. As Accountable Body, the Council underwrites that grants have been properly applied for and expended. To the extent that this is not the position, the Council is exposed, as guarantor, to grant repayments if the conditions on which grant funding was given are not met.

Local Government Pension Scheme

The Council is the Administering Body for the Cumbria Local Government Pension Scheme. Staff in a number of organisations in Cumbria are eligible to join this pension scheme. However, the County Council would be exposed to cover pension contributions if the employing organisations for these staff were unable to pay the necessary contributions. In these cases, the County Council receives appropriate indemnity bonds that are calculated by the Scheme Actuary. Nevertheless, these bonds do not necessarily fully discharge any future liabilities that could occur.

Refuse Tips - Gas/Leachates

No provision has been made in the accounts for any legal liability that may arise as a result of gas and leachate from old refuse tips, most of which, after restoration, have been either returned to the original owner or sold. The Council continues to monitor for landfill gas on those sites that are felt to be most at risk. This is an extremely complex exposure to compute with very uncertain timescales. It is also an issue that impacts on many other Local Authorities. Nevertheless, exposures may be considerable and may not be met from the County Council's own reserves.

Cumbria Waste Management Ltd has a provision for aftercare costs post closure of the landfill sites, this currently stands at £10.991m.

Municipal Mutual Insurance Ltd

On 30th September 1992, the Council's insurers, Municipal Mutual Insurance Ltd (MMI), announced that it had ceased taking new business or issuing renewals and had placed a moratorium on claims payments.

On 6th October 1992, MMI resumed the full payment of claims and has continued to do so since that date. MMI was only able to do this following an agreement with Local Authorities that they would underwrite their respective exposures to the extent that MMI was unable to meet the claims in full. MMI's business was then purchased by a new insurer, Zurich Municipal, who are triple 'A' rated so far as claims payment is concerned. However, this does not guarantee claims which arose up to 31st March 1993 which will be dealt with by the MMI 'rump' company. The County Council's maximum liability if MMI were unable to meet any further claims up to 31st March 1993 would be £5,182,573. According to the 2010 MMI Annual Report and Accounts, 'the Directors are of the view that if a positive outcome can be achieved in the current litigation, a solvent run-off with full payment of agreed claims can be

achieved. Existing outstanding claims as at 31st March 2011 totalled £87,170 and would be additional to the maximum exposure to future claims.

50. Contingent Assets

There were no contingent assets at 31st March 2011.

51. Nature and Extent of Risks Arising From Financial Instruments

The Council's activities expose it to a variety of financial risks:

- credit risk – the possibility that other parties might fail to pay amounts due to the Council.
- liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments.
- market risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements.

The Council's management of treasury risks actively works to minimise the Council's exposure to the unpredictability of financial markets and to protect the financial resources available to fund services. The Council has fully adopted CIPFA's Code of Treasury Management Practices and has written principles for overall risk management as well as written policies and procedures covering specific areas such as credit risk, liquidity risk and market risk.

Credit Risk

Credit risk arises from the short-term lending of surplus funds to banks, building societies and other local authorities as well as credit exposures to the Council's customers. This risk is minimised through the Treasury Management Strategy which requires that deposits are only placed with a small number of AAA and AA rated banks, Money Market Funds, other local authorities and one Building Society. These counterparties were chosen, by officers, using credit rating data supplied by our treasury advisers (based on data from the three main credit rating agencies, overlaid by information about credit default insurance, were available) and also by reference to information in the quality financial press and from the financial markets.

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet its commitments. A risk of irrecoverability applies to all of the Council's deposits, but there is no evidence at 31 March 2011 that was likely to crystallise.

Debtors

The Council generally allows 30 days credit for customers, such that £2.9m of the £15.4m balance is past its due date for payment. These figures exclude Residential and Non Residential Care Debt. The outstanding debt can be analysed by age as follows:

Table 6 – Analysis of debtors

	31 March 2011 £000	31 March 2010 £000
Less than two months	12,521	8,608
Two to six months	913	2,835
Six months to one year	1,206	373
More than one year	794	972
Total	15,434	12,788

Liquidity Risk

The Council has access to a facility to borrow from the Public Works Loans Board. As a result there is no significant risk that the Council will be unable to raise finance to meet its commitments under financial instruments. The Council has safeguards in place to ensure that more than 10% of its borrowing does not mature for repayment in any one year to reduce the financial impact of re-borrowing at a time of unfavourable interest rates. This is managed through a combination of prudent planning of new loans taken out and, where it is economic to do so, making early repayments.

The Council maintains a significant debt and investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer term risk to the Council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer term financial liabilities and longer term financial assets.

The approved treasury indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The Council approved treasury and investment strategies address the main risks and the central treasury team address the operational risks within the approved parameters. This includes:

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and
- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs, and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

The maturity analysis of long term loans is as follows:

Table 7 – Analysis of maturity of long term loans

Loans outstanding	On 31 March 2011 £000	On 31 March 2010 £000
Public Works Loans Board	290,200	270,200
Market debt	25,557	25,568
Temporary borrowing	0	0
Deferred purchase	0	0
Other	264	296
Total	316,021	296,064
Between 1 and 2 years	264	10,296
Between 2 and 5 years	13,000	7,500
Between 5 and 10 years	45,000	29,000
More than 10 years	257,757	249,268
Total	316,021	296,064

In the more than 10 years category there are £24m of LOBOs which have a call date in the next 12 months. The LOBOs are unlikely to be called as the rate being charged is higher than the current prevailing rate.

The maturity analysis of investments is as follows:

Table 8 Maturity analysis of investments

Investments	On 31 March 2011 £000	On 31 March 2010 £000
Business Reserve Instant Access	18,444	16,852
Fixed Term Deposits	43,000	36,075
Money Market Funds	38,468	13,600
Total	99,912	66,527
Less than 1 year	99,912	66,527
Between 1 and 2 years	0	0
Between 2 and 5 years	0	0
Between 5 and 10 years	0	0
More than 10 years	0	0
Total	99,912	66,527

Market Risk

Interest Rate Risk

The Council is exposed to interest rate risk in two different ways; the first being the uncertainty of interest paid/received on variable rate instruments, and the second being the effect of fluctuations in interest rates on the fair value of an instrument.

The current interest rate risk for the authority is summarised below:

- Decreases in interest rates will affect interest earned on variable rate investments, potentially reducing income credited to the Income and Expenditure Account.
- The fair value of fixed rate financial assets will fall if interest rates rise. This will not impact on the Balance Sheet for the majority of assets held at amortised cost, but will impact on the disclosure note for fair value. It would have a negative effect on the Balance Sheet for those assets held at fair value in the Balance Sheet, which would also be reflected in the Comprehensive Income and Expenditure Statement.
- The fair value of fixed rate financial liabilities will rise if interest rates fall. This will not impact on the Balance Sheet for the majority of liabilities held at amortised cost, but will impact on the disclosure note for fair value.
- However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure.

The Council has a number of strategies for managing interest rate risk. Policy is to aim to keep a maximum of 40% of its borrowings in variable rate loans. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses. The risk of loss is ameliorated by the fact that a proportion of government grant payable on financing costs will normally move with prevailing interest rates or the authority's cost of borrowing and provide compensation for a proportion of any higher costs.

The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget quarterly during the year. This allows any adverse changes to be accommodated. The analysis will also advise whether new borrowing taken out is fixed or variable. According to this assessment strategy, at 31 March 2011, if interest rates had been 1% higher with all other variables held constant, the financial effect would be a net increase in investment income of £0.686m. The impact of a 1% fall in interest rates would be a net decrease in income of £0.583m., as the average rate of interest on investments is currently below 1%.

Price Risk

The Council, excluding the pension fund, does not generally invest in equity shares or marketable bonds.

Foreign Exchange Risk

The Council has no financial assets or liabilities denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rates.

52. Trust Funds

The Council acts as trustee for a number of legacies by former inhabitants of Cumbria. The Holehird Trust, created under the bequest of Henry Leigh Groves, includes the Holehird estate near Windermere. The balances held by the trust funds are invested in gilt-edged and equity securities in accordance with the regulations contained in the Trustee Investment Acts. The income of the trust funds is distributed in accordance with the terms of the trust deeds. Included are three trusts which have been audited by the Council's Management Audit Unit in compliance with the Charities Act 2006. The various trust funds can be broadly categorised as follows:

Trust Funds	Balance at 31 st March 2010 £000	Receipts £000	Payments £000	Revaluations £000	Balance at 31 st March 2011 £000
Holehird Trust	912	134	(142)	50	954
Archives Trusts	507	18	(26)	11	510
Education Trusts	443	8	(7)	0	444
Social Services Trusts	50	0	(1)	0	49
	1,912	160	(176)	61	1,957

Copeland Community Fund

The Nuclear Decommissioning Agency (NDA) established the Copeland Community Fund in January 2008 to recognise the unique role Copeland plays in hosting a low level nuclear waste storage facility on behalf of the nation.

The Council acts as Treasurer for the Fund, but it is administered by a Project Board of seven members, of which two are Cumbria County Council Councillors, Cllr AJ Markley and Cllr T Knowles, two Copeland Borough Council Councillors, two independent members and one member from the NDA. Disbursements from the Fund are considered and approved by the Project Board, in accordance with the unilateral undertaking entered into between the NDA, the County Council and Copeland Borough Council at the inception of the Fund. The Fund is to be spent on schemes and initiatives that are consistent with the NDA's socio-economic policy including employment, education and skills and economic and social infrastructure.

The balance of the fund at 31st March 2011 is £12,607,139, and the table below shows a summary of the transactions since the first tranche of funding was received on 13th November 2008.

2008/09 Receipts £000	2008/09 Payments £000	Balance at 31/3/09 £000	2009/10 Receipts £000	2009/10 Payments £000	Balance at 31/3/10 £000	2010/11 Receipts £000	2010/11 Payments £000	Balance at 31/3/11 £000
5,000	0	5,000	6,625	(52)	11,573	1,623	(589)	12,607

SECTION 6 - THE GROUP ACCOUNTING STATEMENTS

6.1 Introduction

The Group Accounting Statements have been prepared on the basis of a full consolidation of the financial transactions of the Council and its subsidiary and associated companies. Associated companies are consolidated using the equity method – the Council's investment in these companies is incorporated at cost and adjusted each year by the Council's share of the companies' results as recognised in the Group Comprehensive Income and Expenditure Statement and its share of other gains and losses. The associated companies have all prepared their accounts to 31st March 2011.

The Council has two subsidiaries - Lakeland Waste Management Ltd (LWM) and Traveline Ltd - in which it does not have 100% share ownership. For LWM the holding is 50% and for Traveline 49%. IAS 27 (Minority Interests) requires that the financial results and balances of these two subsidiaries are fully consolidated into the group accounts to reflect the fact that the Council has full control over the financial and operating policies of the subsidiary. It is recognised that the ultimate rights to the economic benefits for the Council are limited to the shareholding (50% and 49% respectively). A proportion of the capital and reserves of the subsidiaries are identified in the group accounts as minority interests.

Minority interests are presented on the face of the Group balance sheet for the 1 April 09, 2009/10 and 2010/11 financial statements. For the Comprehensive Income & Expenditure Statement there is an analysis below the main statement showing the amounts of the surplus or deficit that is attributable to the minority interest for both 2009/10 and 2010/11.

In order to calculate the minority interest share of the subsidiary reserves accumulated between the acquisition date and the start of the current year an estimate has been calculated. The calculation allocated the difference between the adjusted reserves at the acquisition dates and those at the end of the period, net of the attributable movement identified to the minority interest in the current year.

The results of the following organisations have been consolidated within the Group Accounts:

- Cumbria Waste Management Ltd – 100% and CWM Ltd's subsidiary Cumbria Waste Recycling Ltd which is wholly owned by CWM Ltd and its associate Lakeland Waste Management Ltd, which is 50% owned by CWM Ltd are included in the Group Accounts. These three companies are involved in the management, recycling or disposal of waste within Cumbria. The net assets of this group totalled £14.53m. The accounts can be obtained from Cumbria Waste Management Ltd at Unit 5a, Wavell Drive, Rosehill Estate, Carlisle CA1 2ST.
- Cumbria Capital Fund – 100%. This company is involved in the promotion or encouragement of industrial and commercial enterprise within Cumbria. The net assets of this company totalled £0.192m. The accounts can be obtained from the Assistant Director - Finance, Lonsdale Building, The Courts, Carlisle, Cumbria CA3 8NA.

- Invest in Cumbria Ltd – 100%. The company aims to attract inward investment into Cumbria. The net assets of this company totalled £0.244m. The accounts can be obtained from the Assistant Director - Finance, Lonsdale Building, The Courts, Carlisle, Cumbria CA3 8NA.
- Traveline Cumbria Ltd – a 49% associate. This company is a travel enquiry call centre which supports the Council's integrated transport policy. The net assets of this company totalled £0.09m. The accounts can be obtained from the Assistant Director - Finance, Lonsdale Building, The Courts, Carlisle, Cumbria CA3 8NA.

6.2 Statement of Accounting Policies

The majority of the accounting policies adopted to produce the group accounts complement those used to prepare the Council's own accounts. However, additional policies and departures have occurred in order to meet IFRS requirements for the preparation of Group Accounts. These policies are:

1. Goodwill

The Council has not paid a premium over the net assets acquired for any of its subsidiaries or associates. However, any goodwill that did arise would be charged to the cost of the relevant service.

2. Fixed Assets

Profits and losses on disposal are treated as a charge to the net cost of service. Significant profits and losses on disposal are shown as exceptional items.

The Council revalues its assets to reflect their market value for existing uses. The Cumbria Waste Management group completes a revaluation to reflect the cost and associated liabilities of managing landfill sites. In order to accommodate the estimated future costs of restoration and aftercare on these sites, restoration and aftercare costs are capitalised and a provision created. The total cost of fixed assets are amortised and charges to the Group Comprehensive Income & Expenditure are based on the overall proportion of void space consumed during the accounting period. The Cumbria Waste Management group creates a provision for the future restoration and aftercare costs in respect of landfill sites. The total provision created by Cumbria Waste Management Ltd was £12.3m. The Council has treated this exposure as a contingent liability (Section 5, note 49).

Other subsidiaries do not hold interests in land & buildings. Their fixed assets are held at cost with depreciation charged in order to expense these assets over their estimated useful lives.

3. Consolidation

Trades between the Council and its subsidiaries are eliminated on consolidation.

6.3 GROUP COMPREHENSIVE INCOME & EXPENDITURE STATEMENT FOR THE YEAR TO 31st MARCH 2011

2009/10			Service	Note to the Accounts	2010/11		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000			Gross Expenditure £000	Gross Income £000	Net Expenditure £000
2,842	(1,180)	1,662	Services:		2,918	(1,147)	1,771
74,408	(30,397)	44,011	Central Services to the Public		82,674	(26,880)	55,794
519,810	(405,475)	114,335	Cultural, Environmental, Regulatory and Planning Services		566,329	(418,849)	147,480
50,290	(10,498)	39,792	Education and Childrens' Services		49,359	(12,573)	36,786
190,284	(62,272)	128,012	Highways and Transport Services		195,321	(46,482)	148,839
23,487	(873)	22,614	Adult Social Care		27,317	(737)	26,580
3,583	(519)	3,064	Fire & Rescue Services		6,652	(1,300)	5,352
1,720	0	1,720	Corporate and Democratic Core		1,138	0	1,138
0	0	0	Non Distributed Costs		(75,831)	0	(75,831)
5,149	0	5,149	Exceptional Item		0	0	0
871,573	(511,214)	360,359	Equal Pay		855,877	(507,968)	347,909
			Cost of Services				
0	(1,293)	(1,293)	Other Operating Expenditure				32,649
47,945	(1,339)	46,606	Financing and Investment Income and Expenditure				45,794
0	(412,663)	(412,663)	Taxation and Non Specific Grant Income				(471,840)
		(6,991)	(Surplus) on Provision of Services				(45,488)
1,372	0	1,372	Taxation of Subsidiaries				861
		(5,619)	Group (Surplus) / deficit				(44,627)
		(53,768)	Surplus or Deficit on Revaluation of Property, Plant and Equipment Assets				0
		0	Surplus or Deficit on Revaluation of Available for Sale Financial Assets				7,907
		193,681	Actuarial Gains/Losses on Pension Assets/Liabilities				0
		97	Other Gains/Losses				(127,082)
		140,010	Other Comprehensive Income and Expenditure				(119,175)
		134,391	Total Comprehensive Income and Expenditure				(163,802)

2009/10			Analysis of minority interests shares in the group		2010/11		
Authority	Minority Interest	Total			Authority	Minority Interest	Total
(5,582)	(37)	(5,619)	Surplus or deficit on the provision of services		(45,201)	574	(44,627)
140,010	0	140,010	Other Comprehensive Income and Expenditure		(119,175)	0	(119,175)
134,428	(37)	134,391			(164,376)	574	(163,802)

6.4 GROUP MOVEMENT IN RESERVES STATEMENT

	General Fund £000	Earmarked Reserves £000	Earmarked Capital Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied Account £000	Long term investment reserve £000	Total Usable Reserves £000	Revaluation Reserve £000	Capital Adjustment Account £000	Deferred Capital Receipt £000	Pension Reserve £000	Financial Instruments Adjustment Account £000	Collection Fund Adjustment Account £000	Accumulated Absences Account £000	Unequal pay back pay account £000	Total Unusable reserves £000	Total Authority's reserves	Authority's share of reserves of subsidiaries £000	Total Reserves £000
Balance at 31 March 2009	12,290	52,154	5,811	152	0	2,813	73,220	120,751	483,389	953	(421,257)	(588)	(721)	(10,695)	(4,251)	167,581	240,801	9,402	250,203
Movement in Reserves during 2009/10																			
Surplus or (deficit) on the provision of services	4,064	0	0	0	0	0	4,064	0	0	0	0	0	0	0	0	0	4,064	1,547	5,611
Other Comprehensive Income and Expenditure (STRGL)	0	0	0	0	0	0	0	53,768	0	0	(193,681)	0	(97)	0	0	(140,010)	(140,010)	0	(140,010)
Total Comprehensive Income and Expenditure	4,064	0	0	0	0	0	4,064	53,768	0	0	(193,681)	0	(97)	0	0	(140,010)	(135,946)	1,547	(134,399)
Adjustments between Group Accounts and authority accounts	1,192	0	0	0	0	0	1,192	0	0	0	0	0	0	0	0	0	1,192	(1,181)	11
Net Increase / Decrease before transfers	5,256	0	0	0	0	0	5,256	53,768	0	0	(193,681)	0	(97)	0	0	(140,010)	(134,754)	366	(134,388)
Adjustments between accounting basis and funding basis under regulations (Note 7)	(368)	386	0	41	0	0	59	(4,520)	19,057	(409)	(17,035)	0	977	1,567	0	(363)	(304)	0	(304)
Net Increase/(Decrease) before Transfers to Earmarked Reserves	4,888	386	0	41	0	0	5,315	49,248	19,057	(409)	(210,716)	0	880	1,567	0	(140,373)	(135,058)	366	(134,692)
Transfers (to)/from Earmarked Reserves (Note 8)	(5,936)	4,645	(2,960)	0	0	0	(4,251)	0	0	0	0	0	0	0	4,251	4,251	0	0	0
Increase/(Decrease) in 2009/10	(1,048)	5,031	(2,960)	41	0	0	1,064	49,248	19,057	(409)	(210,716)	0	880	1,567	4,251	(136,122)	(135,058)	366	(134,692)
MIRS Balance at 31 March 2010	11,242	57,185	2,851	193	0	2,813	74,284	169,999	502,446	544	(631,973)	(588)	159	(9,128)	0	31,459	105,743	9,768	115,511
Movement in Reserves during 2010/11																			
Surplus or (deficit) on the provision of services	44,595	0	0	0	0	0	44,595	0	0	0	0	0	0	0	0	0	44,595	613	44,595
Other Comprehensive Income and Expenditure (STRGL)	0	0	0	0	0	0	0	(7,907)	0	0	127,082	0	0	0	0	119,175	119,175	0	119,175
Total Comprehensive Income and Expenditure	44,595	0	0	0	0	0	44,595	(7,907)	0	0	127,082	0	0	0	0	119,175	163,770	613	163,770
Adjustments between Group Accounts and authority accounts	(62)	0	0	0	0	0	(62)	0	0	0	0	0	0	0	0	0	(62)	142	80
Net Increase / Decrease before transfers	44,533	0	0	0	0	0	44,533	(7,907)	0	0	127,082	0	0	0	0	119,175	163,708	755	163,850
Adjustments between accounting basis and funding basis under regulations (Note 7)	(33,192)	0	2,480	635	388	0	(29,689)	(6,431)	(8,700)	(410)	47,551	0	857	(3,866)	0	29,001	(688)	0	(688)
Net Increase/(Decrease) before Transfers to Earmarked Reserves	11,341	0	2,480	635	388	0	14,844	(14,338)	(8,700)	(410)	174,633	0	857	(3,866)	0	148,176	163,020	755	163,162
Transfers (to)/from Earmarked Reserves (Note 8)	(6,586)	6,586	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Increase/(Decrease) in 2010/11	4,755	6,586	2,480	635	388	0	14,844	(14,338)	(8,700)	(410)	174,633	0	857	(3,866)	0	148,176	163,020	755	163,775
MIRS Balance at 31 March 2011	15,997	63,771	5,331	828	388	2,813	89,128	155,661	493,746	134	(457,340)	(588)	1,016	(12,994)	0	179,635	268,763	10,523	279,286

6.5 GROUP BALANCE SHEET as at 31 MARCH 2011

1st April 2009 £000	31st March 2010 £000		Notes to the Accounts	31st March 2011 £000
		Long Term Assets:		
		Property, Plant and Equipment		
703,646	729,980	Other Land and Buildings		683,619
28,522	22,963	Vehicles, Plant, Furniture and Equipment		23,416
212,320	255,930	Infrastructure		291,153
52	52	Community Assets		46
2,732	29,782	Assets Under Construction		29,007
7,485	10,266	Surplus Properties Not Held For Sale		10,247
954,757	1,048,973	Total Property, Plant and Equipment	6.10	1,037,488
1,232	1,232	Investment Properties		1,232
9,296	16,593	Intangible Assets		13,185
0	0	Long Term Investments		0
3,044	2,254	Long Term Debtors		1,979
968,329	1,069,052	Total Long Term Assets		1,053,884
		Current Assets:		
1,273	494	Non Current Assets Held for Sale		626
667	438	Inventories		1,156
87,304	87,404	Short Term Debtors	6.12	78,954
39,825	36,494	Short Term Investments	6.11	43,595
41,109	55,631	Cash and Cash Equivalents		90,602
170,178	180,461	Total Current Assets		214,933
		Current Liabilities:		
(4,086)	(4,800)	Short Term Borrowings		(14,884)
(91,573)	(89,770)	Short Term Creditors	6.13	(95,841)
		Capital Element of Finance Lease Rental		(5,627)
(36,935)	(3,208)	Short Term Provisions	6.15	(8,800)
(9,312)	(10,573)	Bank Overdraft		(7,583)
(25,618)	(22,221)	Revenue grants received in Advance		(20,838)
(167,524)	(130,572)	Total Current Liabilities		(153,573)
		Long Term Liabilities:		
(258,807)	(296,064)	Long Term Borrowings	6.14	(316,021)
(8,895)	(11,511)	Other long term liabilities		0
	(8)	Long term creditors		0
(14,490)	(44,247)	Capital Grants Receipts in Advance		(44,534)
(15,090)	(17,133)	Long Term Provisions	6.15	(16,371)
(421,752)	(632,734)	Pensions Liability		(457,936)
(719,034)	(1,001,697)	Total Long Term Liabilities		(834,862)
251,949	117,244	Net Assets		280,382
		Usable Reserves		
12,290	11,242	General Fund Balance		15,997
9,402	9,768	Profit and Loss Reserve		10,523
52,154	57,185	Earmarked Reserves		63,771
5,811	2,851	Earmarked Capital Reserve		5,331
152	193	Usable Capital Receipts Reserve		828
0	0	Capital Grants Unapplied Reserve		388
2,813	2,813	Long Term Investment Reserve		2,813
82,622	84,052			99,651
		Unusable Reserves		
120,751	169,999	Revaluation Reserve		155,661
0	0	Share capital		0
483,389	502,446	Capital Adjustment Account		493,746
953	544	Deferred Capital Receipts		134
(421,257)	(631,973)	Pensions Reserve		(457,340)
(588)	(588)	Financial Instruments Adjustment Account		(588)
(721)	159	Collection Fund Adjustment Account		1,016
(10,695)	(9,128)	Accumulated Absences Account		(12,994)
(4,251)	0	Equal Pay Back Pay Account		0
1,746	1,733	Minority Interest		1,096
169,327	33,192			180,731
251,949	117,244	Total balances and Reserves	6.16	280,382

RECONCILIATION OF MOVEMENT IN RESERVES STATEMENT TO BALANCE SHEET FOR MINORITY INTEREST

Reconciliation of Movement in Reserves Statement to Balance Sheet for Minority Interest			
31 March		31 March	
2010		2011	
£000		£000	
115,511	Total Reserves in the Movement in Reserves Statement	279,286	
1,733	Minority interests share of reserves of subsidiaries	1,096	
117,244	Total Reserves in Balance Sheet	280,382	

6.6 GROUP CASH FLOW STATEMENT

2009/10		Notes	2010/11
£000			£000
(5,619)	Net (Surplus) or Deficit on the Provision of Services		(44,627)
(24,316)	Adjustments to net surplus or deficit on the provision of services for non cash movements		(135,480)
35,237	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		94,162
(2,013)	Interest Received		
12,813	Interest Paid		
	Dividends Received		
386	Additional grants received		
(272)	Interest element of finance lease payments		
16,216	Net CashFlows from Operating Activities	6.17	(85,945)
	Investing Activities		
87,254	Purchase of Property, Plant and Equipment, investment properties and intangible assets		131,418
2,107	Purchase of Long and Short Term Investments		155,275
(2,681)	Proceeds from sale of Property, Plant and Equipment, Investment Properties and Intangible Assets		(2,509)
(11,573)	Proceeds from short term and long term investments		(118,424)
(66,178)	Other receipts from investing activities		(94,783)
8,929	Net Cashflows from Investing Activities	6.17	70,977
	Financing Activities		
(37,500)	Cash Receipts from Long and Short Term Borrowing		(30,000)
(7,249)	Other Receipts from Financing Events		857
6,150	Cash payments for the reduction of the outstanding liability relating to finance leases		6,150
193	Repayments of Long and Short Term Borrowings		
(38,406)	Net Cashflows from Investing Activities	6.17	(22,993)
(13,261)	Net (Increase) or Decrease in Cash and Cash Equivalents		(37,961)
31,797	Cash and Cash Equivalents at the Beginning of the Reporting Period		45,058
45,058	Cash and Cash Equivalents at the End of the Reporting Period	6.17	83,019

NOTES TO THE GROUP ACCOUNTS

6.7.1 Movement in Reserves Statement 2009/10

	General Fund £000	Earmarked Reserves £000	Earmarked Capital Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied Account £000	Long term investment reserve £000	Total Usable Reserves £000	Revaluation Reserve £000	Capital Adjustment £000	Deferred Capital Receipt £000	Pension Reserve £000	Financial Instruments Adjustment £000	Collection Fund Adjustment £000	Accumulated Absences Account £000	Unequal pay back pay account £000	Total Unusable reserves £000	Total Authority's reserves	Authority's share of reserves of subsidiaries £000	Total Reserves £000
Balance at 31 March 2009	12,290	52,154	5,811	152	0	2,813	73,220	120,751	483,389	953	(421,257)	(588)	(721)	(10,695)	(4,251)	167,581	240,801	9,402	250,203
Movement in Reserves during 2009/10																			
Surplus/(deficit) on the provision of services	4,064	0	0	0	0	0	4,064	0	0	0	0	0	0	0	0	0	4,064	1,547	5,611
Other Comprehensive Income and Expenditure (STRGL)	0	0	0	0	0	0	0	53,768	0	0	(193,681)	0	(97)	0	0	(140,010)	(140,010)	0	(140,010)
Total Comprehensive Income and Expenditure	4,064	0	0	0	0	0	4,064	53,768	0	0	(193,681)	0	(97)	0	0	(140,010)	(135,946)	1,547	(134,399)
Adjustments between group accounts and authority accounts	1,192	0	0	0	0	0	1,192	0	0	0	0	0	0	0	0	0	1,192	(1,181)	11
Net Increase/ Decrease before transfers	5,256	0	0	0	0	0	5,256	53,768	0	0	(193,681)	0	(97)	0	0	(140,010)	(134,754)	366	(134,388)
Adjustments between accounting basis and funding basis under regulations (Note 7)																			
Depreciation and impairment of fixed assets	46,827	0	0	0	0	0	46,827	0	(46,827)	0	0	0	0	0	0	(46,827)	0	0	0
Revenue Expenditure Funded from Capital Under Statute	30,457	0	0	0	0	0	30,457	0	(30,457)	0	0	0	0	0	0	(30,457)	0	0	0
Grants on revenue expenditure funded from capital under statute	(29,469)	0	0	0	0	0	(29,469)	0	29,469	0	0	0	0	0	0	29,469	0	0	0
Gains and losses on disposal of fixed assets	(905)	0	0	0	0	0	(905)	0	0	0	0	0	0	0	0	0	(905)	0	(905)
Use of capitalisation direction	5,149	0	0	0	0	0	5,149	0	(5,149)	0	0	0	0	0	0	(5,149)	0	0	0
Collection fund adjustment	(977)	0	0	0	0	0	(977)	0	0	0	0	0	977	0	0	977	0	0	0
Minimum Revenue Provision	(13,874)	0	0	0	0	0	(13,874)	0	13,874	0	0	0	0	0	0	13,874	0	0	0
Capital expenditure charged to the general fund balance	(6,364)	0	0	0	0	0	(6,364)	0	6,364	0	0	0	0	0	0	6,364	0	0	0
Employers contributions payable to pension funds	(41,503)	0	0	0	0	0	(41,503)	0	0	0	41,503	0	0	0	0	41,503	0	0	0
FRS 17 retirement benefit charges	58,538	0	0	0	0	0	58,538	0	0	0	(58,538)	0	0	0	0	(58,538)	0	0	0
Balance of receipts received and used	0	0	0	41	0	0	41	0	0	0	0	0	0	0	0	0	41	0	41
Receipts used in financing	0	0	0	0	0	0	0	0	2,640	(409)	0	0	0	0	0	2,231	2,231	0	2,231
Port of Working impairment charged to RR in UK GAAP accounts	0	0	0	0	0	0	0	(1,041)	1,041	0	0	0	0	0	0	0	0	0	0
NBV of disposal of fixed assets	0	0	0	0	0	0	0	0	(1,385)	0	0	0	0	0	0	(1,385)	(1,385)	0	(1,385)
Adjustments from 8/9	0	0	0	0	0	0	0	(349)	349	0	0	0	0	0	0	0	0	0	0
Revaluation gains on disposal	0	0	0	0	0	0	0	(539)	539	0	0	0	0	0	0	0	0	0	0
CV to HC depreciation	0	0	0	0	0	0	0	(2,333)	2,333	0	0	0	0	0	0	0	0	0	0
JFRS adjustments																			
Investment property Revaluation through CI&E	(125)	0	0	0	0	0	(125)	(125)	125	0	0	0	0	0	0	0	(125)	0	(125)
Accumulated absence account adjustment	(1,567)	0	0	0	0	0	(1,567)	0	0	0	0	0	0	1,567	0	1,567	0	0	0
Capital grants reversed from CI&E- applied amount put to CAA	(41,835)	0	0	0	0	0	(41,835)	0	41,835	0	0	0	0	0	0	41,835	0	0	0
Impairment of fixed assets - credited to CI&E reversed out	(1,041)	0	0	0	0	0	(1,041)	0	0	0	0	0	0	0	0	0	(1,041)	0	(1,041)
Reversal of depreciation charged on assets written out as operating leases in 1.4.09	(50)	0	0	0	0	0	(50)	0	50	0	0	0	0	0	0	50	0	0	0
Reversal of additions to assets written out as operating leases in 1.4.09	0	0	0	0	0	0	0	0	(82)	0	0	0	0	0	0	(82)	(82)	0	(82)
Reversal of impairments in 9/10 to assets written out as operating leases in 1.4.09	0	0	0	0	0	0	0	(27)	0	0	0	0	0	0	0	(27)	(27)	0	(27)
Agilisys HR Trent reversals - liability for MRP	(1,101)	0	0	0	0	0	(1,101)	0	1,101	0	0	0	0	0	0	1,101	0	0	0
Agilisys E Proc - reversals liability for MRP	(934)	0	0	0	0	0	(934)	0	934	0	0	0	0	0	0	934	0	0	0
Agilisys Customer Access - reversals liability for MRP	(1,018)	0	0	0	0	0	(1,018)	0	1,018	0	0	0	0	0	0	1,018	0	0	0
Agilisys ESCR - reversals liability for MRP	(797)	0	0	0	0	0	(797)	0	797	0	0	0	0	0	0	797	0	0	0
Agilisys E Proc - reversals depreciation	667	0	0	0	0	0	667	0	(667)	0	0	0	0	0	0	(667)	0	0	0
Agilisys E Proc - current cost depreciation adjustment	0	0	0	0	0	0	0	(42)	42	0	0	0	0	0	0	0	0	0	0
Agilisys E 5 -reversals liability for MRP	(1,421)	0	0	0	0	0	(1,421)	0	1,421	0	0	0	0	0	0	1,421	0	0	0
Agilisys E 5 - reversals depreciation	1,189	0	0	0	0	0	1,189	0	(1,189)	0	0	0	0	0	0	(1,189)	0	0	0
Agilisys E 5 - current cost depreciation adjustment	0	0	0	0	0	0	0	(75)	75	0	0	0	0	0	0	0	0	0	0
Agilisys Hardware reversals liability for MRP	(879)	0	0	0	0	0	(879)	0	879	0	0	0	0	0	0	879	0	0	0
Agilisys Hardware- reversals depreciation	1,050	0	0	0	0	0	1,050	0	(1,050)	0	0	0	0	0	0	(1,050)	0	0	0
Childrens Services grants transferred to earmarked reserves	(240)	240	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
HLF volunteers earmarked reserve transfer to general fund	9	(9)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Archive volunteers transfer to earmarked reserves	(2)	2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
HIV/ Aids support transfer to earmarked reserves	(22)	22	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
s31 ECSV (fire) grant	(131)	131	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Adjustments	1	0	0	0	0	0	1	11	6	0	0	0	0	0	0	17	18	0	18
Adjustments between accounting basis and funding basis under regulations (Note 7)	(368)	386	0	41	0	0	59	(4,520)	19,057	(409)	(17,035)	0	977	1,567	0	(363)	(304)	0	(304)
Net Increase/(Decrease) before Transfers to Earmarked Reserves	4,888	386	0	41	0	0	5,315	49,248	19,057	(409)	(210,716)	0	880	1,567	0	(140,373)	(135,058)	366	(134,406)
Transfers (to)/from Earmarked Reserves (Note 8)	(5,936)	4,645	(2,960)				(4,251)								4,251	4,251	0	0	0
Increase/Decrease in 2009/10	(1,048)	5,031	(2,960)	41	0	0	1,064	49,248	19,057	(409)	(210,716)	0	880	1,567	4,251	(136,122)	(135,058)	366	(134,692)
MIRS Balance at 31 March 2010	11,242	57,185	2,851	193	0	2,813	74,284	169,999	502,446	544	(631,973)	(588)	159	(9,128)	0	31,459	105,743	9,768	115,511

6.7.2 Movement in Reserves Statement 2010/11

	General Fund £000	Earmarked Reserves £000	Earmarked Capital Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied Account £000	Long term investment reserve £000	Total Usable Reserves £000	Revaluation Reserve £000	Capital Adjustment Account £000	Deferred Capital Receipt £000	Pension Reserve £000	Financial Instruments Adjustment Account £000	Collection Fund Adjustment Account £000	Accumulated Absences Account £000	Unequal pay back pay account £000	Total Unusable reserves £000	Total Authority's reserves	Authority's share of reserves of subsidiaries £000	Total Reserves £000
Balance at 31 March 2010	11,242	57,185	2,851	193	0	2,813	74,284	169,999	502,446	544	(631,973)	(588)	159	(9,128)	0	31,459	105,743	9,768	115,511
Movement in Reserves during 2010/11																			
Surplus/(deficit) on the provision of services	44,595	0	0	0	0	0	44,595	0	0	0	0	0	0	0	0	0	44,595	612	44,595
Other Comprehensive Income and Expenditure (STRGL)	0	0	0	0	0	0	0	(7,907)	0	0	127,082	0	0	0	0	119,175	119,175		119,175
Total Comprehensive Income and Expenditure	44,595	0	0	0	0	0	44,595	(7,907)	0	0	127,082	0	0	0	0	119,175	163,770	612	163,770
Adjustments between group accounts and authority accounts	(62)	0	0	0	0	0	(62)	0	0	0	0	0	0	0	0	0	(62)	143	81
Net Increase/ Decrease before transfers	44,533	0	0	0	0	0	44,533	(7,907)	0	0	127,082	0	0	0	0	119,175	163,708	755	163,851
Adjustments between accounting basis and funding basis under regulations (Note 7)																			
Depreciation of fixed assets	29,973	0	0	0	0	0	29,973	0	(29,973)	0	0	0	0	0	0	(29,973)	0	0	0
Impairment of fixed assets	115						115		(115)							(115)	0	0	0
Revaluation Losses on Property, Plant & Equipment	48,029	0	0	0	0	0	48,029	0	(48,029)	0	0	0	0	0	0	(48,029)	0	0	0
Revenue Expenditure Funded from Capital Under Statute	27,388	0	0	0	0	0	27,388	0	(27,388)	0	0	0	0	0	0	(27,388)	0	0	0
Grants on revenue expenditure funded from capital under statute	(23,268)	0	0	0	0	0	(23,268)	0	23,268	0	0	0	0	0	0	23,268	0	0	0
Gains and losses on disposal of fixed assets	30,359	0	0	0	0	0	30,359	0	(30,359)	0	0	0	0	0	0	(30,359)	0	0	0
Use of capitalisation direction	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Collection fund adjustment account	(857)	0	0	0	0	0	(857)	0	0	0	0	0	857	0	0	857	0	0	0
Accumulated Absences Adjustment	3,866	0	0	0	0	0	3,866	0	0	0	0	0	0	(3,866)	0	(3,866)	0	0	0
Minimum Revenue Provision	(21,017)	0	0	0	0	0	(21,017)	0	21,017	0	0	0	0	0	0	21,017	0	0	0
Capital expenditure charged to the general fund balance	(9,115)	0	2,480	0	0	0	(6,635)	0	6,635	0	0	0	0	0	0	6,635	0	0	0
Employers contributions payable to pension funds	(40,715)	0	0	0	0	0	(40,715)	0	0	0	40,715	0	0	0	0	40,715	0	0	0
FRS 17 retirement benefit charges	(6,836)	0	0	0	0	0	(6,836)	0	0	0	6,836	0	0	0	0	6,836	0	0	0
Balance of receipts received and used	0	0	0	2,509	0	0	2,509	0	0	(410)	0	0	0	0	0	(410)	2,099	0	2,099
Receipts used in financing	0	0	0	(1,874)	0	0	(1,874)	0	1,874	0	0	0	0	0	0	1,874	0	0	0
Deferred capital receipts	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
CGUA used in financing	(70,600)	0	0	0	388	0	(70,212)	0	70,212	0	0	0	0	0	0	70,212	0	0	0
Donated Assets	(514)	0	0	0	0	0	(514)	0	514	0	0	0	0	0	0	514	0	0	0
Difference between current value and historic cost depreciation on revalued assets	0	0	0	0	0	0	0	(6,431)	6,431	0	0	0	0	0	0	0	0	0	0
To balance	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Adjustments between accounting basis and funding basis under regulations (Note 7)	(33,192)	0	2,480	635	388	0	(29,689)	(6,431)	(8,700)	(410)	47,551	0	857	(3,866)	0	29,001	(688)	0	(688)
Net Increase/(Decrease) before Transfers to Earmarked Reserves	11,341	0	2,480	635	388	0	14,844	(14,338)	(8,700)	(410)	174,633	0	857	(3,866)	0	148,176	163,020	755	163,775
Transfers (to)/from Earmarked Reserves (Note 8)	(6,586)	6,586	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Increase/(Decrease) in 2010/11	4,755	6,586	2,480	635	388	0	14,844	(14,338)	(8,700)	(410)	174,633	0	857	(3,866)	0	148,176	163,020	755	163,775
MIRS Balance at 31 March 2011	15,997	63,771	5,331	828	388	2,813	89,128	155,661	493,746	134	(457,340)	(588)	1,016	(12,994)	0	179,635	268,763	10,523	279,286

6.8 Segmental Reporting

6.8.1 Segmental Reporting 2009/10

Directorate income and expenditure 2009/10	Children Services £000	Adults and Local Services £000	Environment (incl Highways) £000	Safer and Stronger Communities £000	Local Committees £000	Chief Executives £000	Organisational Development £000	Resources £000	Other Corporate / Miscellaneous £000	Total £000
Fees and charges	(27,828)	(40,470)	(14,606)	(379)	(64)	(1,526)	(4,001)	(2,263)	(3,328)	(94,465)
Other income	(6,029)	(9,171)	(2,663)	(2,050)	(74)	(298)	(994)	(695)	(1,973)	(23,947)
Internal income	(10,113)	(683)	(913)	0	0	(1,554)	(8,771)	(10,722)	(5)	(32,761)
Grant income	(381,486)	(14,502)	(6,311)	(300)		(217)	(78)	(134)	(16,501)	(419,529)
Total Income	(425,456)	(64,826)	(24,493)	(2,729)	(138)	(3,595)	(13,844)	(13,814)	(21,807)	(570,702)
Employee costs	322,475	65,822	8,524	21,356	71	5,642	3,974	16,257	9,772	453,893
Running expenses	162,010	138,335	58,663	7,866	22,481	3,686	21,214	7,387	(2,507)	419,135
Total Expenditure	484,485	204,157	67,187	29,222	22,552	9,328	25,188	23,644	7,265	873,028
Net Expenditure	59,029	139,331	42,694	26,493	22,414	5,733	11,344	9,830	(14,542)	302,326

Reconciliation of directorate income to costs of services in CI&E	2009/10 £000
Net expenditure in directorate analysis	302,326
<i>Amounts in CI&E not reported to management</i>	
Capital charges	77,285
FRS 17 Adjustment	(18,802)
Trading accounts Premises-included in resources reversed out	736
Trading accounts POW -included in Environment reversed out	(1,363)
NDC FRS 17 adjustment included in I&E not directorate analysis	1,720
GGDA amortisation reversed	8,368
Employee benefit accrual	(1,567)
Investment income taken from CDC to below NCS	25
Depreciation written back for operating leases	(50)
Depreciation included for embedded leases	(3,516)
Additional Revenue grants included in CI&ES	(395)
Expenditure from earmarked reserve rather than grants	9
Net expenditure of subsidiaries included in CI&E and not reported to management	(4,417)
Balance	360,359
Cost of services in Comprehensive I&E statement	360,359

6.8.2 Segmental Reporting 2010/11

Directorate income and expenditure 2010/11	Children Services £000	Adults and Local Services £000	Environment (incl Highways) £000	Safer and Stronger Communities £000	Local Committees £000	Chief Executives £000	Organisational Development £000	Resources £000	Other Corporate / Miscellaneous £000	Total £000
Fees and charges	(28,066)	(47,300)	(10,686)	(388)	(55)	(764)	(2,079)	(2,446)	(1,206)	(92,990)
Other income	(4,811)	(27,251)	(1,525)	(2,137)	(63)	(225)	(659)	(482)	(921)	(38,074)
Internal income	(9,842)	(788)	(329)			(1,251)	(8,096)	(10,454)	(40)	(30,800)
Grant income	(367,998)	(2,749)	(6,841)	(226)		(244)	(909)	(371)	(8,954)	(388,292)
Total Income	(410,717)	(78,088)	(19,381)	(2,751)	(118)	(2,484)	(11,743)	(13,753)	(11,121)	(550,156)
Employee costs	322,171	73,919	9,489	21,578	59	5,025	4,810	15,642	4,656	457,349
Running expenses	176,952	148,176	67,811	7,179	23,696	2,285	20,987	12,037	21,878	481,001
Total Expenditure	499,123	222,095	77,300	28,757	23,755	7,310	25,797	27,679	26,534	938,350
Net Expenditure	88,406	144,007	57,919	26,006	23,637	4,826	14,054	13,926	15,413	388,194

	2010/11 £000
Net expenditure in directorate analysis	388,194
<i>Amounts in CI&E not reported to management</i>	
Capital charges	76,957
REFCUS Expenditure	27,388
REFCUS grants	(22,999)
IAS19 Adjustment	(4,660)
NDC IAS19 adjustment included in I&E not directorate analysis	(74,693)
Trading accounts Premises-included in resources reversed out	537
Trading accounts POW -included in Environment reversed out	(852)
Employee benefit accrual	3,865
Other Operating Expenditure included above	(816)
Financing & Investment Income and Expenditure included above	(12,171)
Embedded lease principal moved from CoS to Balance Sheet	(5,883)
Embedded lease interest moved from CoS to Financing & Investment Income	(540)
Interest paid included in CoS transferred to Financing & Investment Income	(156)
RCCO included above moved to MIRS	(9,114)
MRP included above moved to MIRS	(15,133)
Investment property income and expenditure from CoS to Financing & Investment Income	25
Other	23
Net expenditure of subsidiaries included in CI&E and not reported to management	(2,063)
Balance	347,909
Cost of services in Comprehensive I&E statement	347,909

6.9.2 SUBJECTIVE ANALYSIS 2010/11

Subjective Analysis 2010/11	Directorate analysis £000	Service and support services not in analysis £000	Amounts not reported to management for decision making £000	Amounts not included in I&E £000	Net Expenditure of subsidiaries not included in the Analysis £000	Allocation of recharges £000	Cost of services £000	Corporate amounts £000	TOTAL £000
Reconciliation to subjective analysis									
Fees, charges and other service income	(550,156)	0	27	0	(23,760)	0	(573,889)	0	(573,889)
Interest and investment income	0	0	0	0	(234)	0	(234)	(721)	(955)
Income from council tax	0	0	0	0	0	0	0	(205,816)	(205,816)
Government grants and contributions	0	0	0	0	0	0	0	(266,051)	(266,051)
Total Income	(550,156)	0	27	0	(23,994)	0	(574,123)	(472,588)	(1,046,711)
Employee expenses	457,349	(315)	(75,488)	0	5,909	0	387,455	315	387,770
Other service expenses	481,001	0	(39,423)	0	12,961	0	454,539	2	454,541
Support service recharges	0	0	0	0	0	0	0	0	0
Depreciation, amortisation and impairment	0	0	76,957	0	2,865	0	79,822	0	79,822
Interest payments	0	0	0	0	214	0	214	46,560	46,774
Precepts and levies	0	0	0	0	0	0	0	816	816
Gain or loss on disposal of fixed assets	0	0	0	0	(18)	0	(18)	31,518	31,500
Total Expenditure	938,350	(315)	(37,954)	0	21,931	0	922,012	79,211	1,001,223
(Surplus) or deficit on the provision of services	388,194	(315)	(37,927)	0	(2,063)	0	347,889	(393,377)	(45,488)
(Surplus) or deficit on the provision of services from restated CI&E	(45,488)								

6.10 Fixed Assets

6.10.1 Group Fixed Assets

Group	Operational Assets				Non - Operational Assets		Total PPE £000
	Other Land & Buildings £000	Infrastructure Assets £000	Vehicles, Plant & Equipment £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	
Cost or Valuation							
At 1 April 2010	774,401	309,093	49,030	52	11,022	29,782	1,173,380
Additions	30,975	42,344	8,362	0	28	25,971	107,680
Disposals	(33,679)	0	(3,420)	0	(556)	0	(37,655)
Reclassifications	21,302	1,330	0	(6)	4,120	(26,746)	0
Revaluations	(65,789)	(438)	0	0	(4,345)	0	(70,572)
Impairments	0	0	0	0	0	0	0
assets reclassified (to)/from Held for Sale	(1,596)	0	0	0	135		
At 31 March 2011	725,614	352,329	53,972	46	10,404	29,007	1,172,833
Accumulated Depreciation & Impairment							
At 1 April 2010	(44,417)	(53,163)	(26,058)	0	(755)	0	(124,393)
Depreciation	(46)	(8,013)	(5,968)	0	593	0	(13,434)
Disposals	2,583	0	1,470	0	5	0	4,058
Reclassifications	0	0	0	0	0	0	0
Revaluations	0	0	0	0	0	0	0
Impairments	(115)	0	0	0	0	0	(115)
At 31 March 2011	(41,995)	(61,176)	(30,556)	0	(157)	0	(133,884)
Balance Sheet Amount at 31 March 2011	683,619	291,153	23,416	46	10,247	29,007	1,037,488
Balance Sheet amount at 1 April 2010	729,984	255,930	22,972	52	10,267	29,782	1,048,987

6.10.2 Cumbria County Council Fixed Assets

	Operational Assets				Non - Operational Assets		Total £000
	Other Land & Buildings £000	Infrastructure Assets £000	Vehicles, Plant & Equipment £000	Community Assets £000	Surplus Properties held for disposal £000	Assets Under Construction £000	
Cost or Valuation							
At 1 April 2010	742,616	309,093	42,462	52	11,022	29,782	1,135,027
Additions	29,403	42,344	7,812	0	28	25,971	105,558
Disposals	(30,279)	0	(2,698)	0	(556)	0	(33,533)
Reclassifications	21,302	1,330	0	(6)	4,120	(26,746)	0
Revaluations	(65,789)	(438)	0	0	(4,345)	0	(70,572)
Impairments	0	0	0	0	0	0	0
assets reclassified (to)/from Held for Sale	(1,596)	0	0	0	135	0	(1,461)
At 31 March 2011	695,657	352,329	47,576	46	10,404	29,007	1,135,019
Accumulated Depreciation & Impairment							
At 1 April 2010	(22,172)	(53,163)	(21,346)	0	(755)	0	(97,436)
Depreciation	2,119	(8,013)	(5,156)	0	593	0	(10,457)
Disposals	78	0	757	0	5	0	840
Reclassifications	0	0	0	0	0	0	0
Revaluations	0	0	0	0	0	0	0
Impairments	(115)	0	0	0	0	0	(115)
At 31 March 2011	(20,090)	(61,176)	(25,745)	0	(157)	0	(107,168)
Balance Sheet Amount at 31 March 2011	675,567	291,153	21,831	46	10,248	29,007	1,027,851
Balance Sheet amount at 1 April 2010	720,444	(10,701)	21,116	52	10,267	29,782	1,037,591

6.10.3 Subsidiaries Fixed Assets

Subsidiaries	Operational Assets				Non - Operational Assets		
					Non operational Land & Buildings	Assets Under Construction	Total
	Other Land & Buildings £000	Infrastructure Assets £000	Vehicles, Plant & Equipmenmt £000	Community Assets £000	£000	£000	£000
Cost or Valuation							
At 1 April 2010	31,785	0	6,568	0	0	0	38,353
Additions	1,572	0	550	0	0	0	2,122
Disposals	(3,400)	0	(722)	0	0	0	(4,122)
Reclassifications	0	0	0	0	0	0	0
Revaluations	0	0	0	0	0	0	0
At 31 March 2011	29,957	0	6,396	0	0	0	36,353
Accumulated Depreciation & Impairment							
At 1 April 2010	(22,248)	0	(4,723)	0	0	0	(26,971)
Depreciation & Impairment	(2,165)	0	(812)	0	0	0	(2,977)
Disposals	2,505	0	713	0	0	0	3,218
Reclassifications	0	0	0	0	0	0	0
Revaluations	0	0	0	0	0	0	0
At 31 March 2011	(21,908)	0	(4,822)	0	0	0	(26,730)
Balance Sheet Amount at 31 March 2011	8,049	0	1,574	0	0	0	9,623
Balance Sheet amount at 1 April 2010	9,537	0	1,845	0	0	0	11,382

6.11 Short Term Investments

	2010/11 £000	2009/10 £000	2010/11 £000	2009/10 £000	2010/11 £000	2009/10 £000
Short Term Investments	Authority		Subsidiaries		Total	
Deposits with banks and other financial institutions	43,344	36,169	0		43,344	36,169
Deposit with Insurer	251	325	0	0	251	325
	43,595	36,494	0	0	43,595	36,494

6.12 Debtors

	2010/11 £000	2009/10 £000	2010/11 £000	2009/10 £000	2010/11 £000	2009/10 £000
Debtors:	Authority		Subsidiaries		Total	
Central Government	15,312	12,804	0	8	15,312	12,812
Public Authorities	3,986	7,918	0	0	3,986	7,918
Other Local Authorities	2,812	2,182	0	0	2,812	2,182
Other debtors	45,584	56,149	5,252	5,028	50,830	61,177
Accrued Interest	0	94	0	0	0	94
Less: Provision for Bad Debts	(8,011)	(8,002)	0	0	(8,011)	(8,002)
	59,683	71,145	5,252	5,036	64,929	76,181
Prepayments:						
Central Government	0	0	0	0	0	0
Public Authorities	2	91	0	0	2	91
Other Local Authorities	67	2,177	0	0	67	2,177
Other	11,006	6,005	2,950	2,950	13,956	8,955
	11,075	8,273	2,950	2,950	14,025	11,223
	70,758	79,418	8,202	7,986	78,954	87,404

6.13 Creditors

	2010/11 £000	2009/10 £000	2010/11 £000	2009/10 £000	2010/11 £000	2009/10 £000
	Authority		Subsidiaries		Total	
Creditors:						
Central Government	6,979	14,932	3,270	3,050	10,249	17,982
Public Authorities	1,257	1,545	0	0	1,257	1,545
Other Local Authorities	4,712	7,581	0	0	4,712	7,581
Suppliers of goods and services	76,861	59,655	2,762	3,007	79,623	62,662
	89,809	83,713	6,032	6,057	95,841	89,770
Income in advance:						
Central Government	0	0	0	0	0	0
Public Authorities	0	0	0	0	0	0
Other Local Authorities	0	0	0	0	0	0
Suppliers of goods and services	0	0	0	0	0	0
	0	0	0	0	0	0
	89,809	83,713	6,032	6,057	95,841	89,770

6.14 Long Term Borrowings

	2010/11 £000	2009/10 £000	2010/11 £000	2009/10 £000	2010/11 £000	2009/10 £000
	Authority		Subsidiaries		Total	
Long Term Borrowings						
PWLB	290,200	270,200	0	0	290,200	270,200
Market Loans and Local Bonds	25,820	25,568	0	0	25,820	25,568
Local Authorities	0	296	0	0	0	296
Other Borrowings	0	0	0	0	0	0
	316,020	296,064	0	0	316,020	296,064

6.15 Provisions

	Balance at 1st April 2009 £000	Additions £000	Releases/ Expenditure £000	Balance at 31st March 2010 £000	Balance at 1st April 2010 £000	Additions £000	Releases/ Expenditure £000	Balance at 31st March 2011 £000
Authority								
Insurance Fund	3,061	339	0	3,400	3,400	632	0	4,032
Equal Pay	36,651	4,677	(36,651)	4,677	4,677	6,947	(1,476)	10,148
Subsidiaries								
Restoration and aftercare of Landfill Sites	12,238	0	(118)	12,120	12,120	(731)	(398)	10,991
Deferred Taxation	75	0	69	144	144	0	(144)	0
	52,025	5,016	(36,700)	20,341	20,341	6,848	(2,018)	25,171

6.16 Summary of Group Reserves

	Cumbria County Council £000	Cumbria Waste Mgmt Group £000	Cumbria Capital Fund £000	Invest in Cumbria Ltd £000	Traveline Ltd £000	Inter Group Transactio ns £000	TOTAL £000
Reserves							
Capital	658,901	2,813	0	0	0	(2,813)	658,901
Financial Instruments Adjustment Account	(588)	0	0	0	0	0	(588)
Collection Fund Adjustment Account	1,016	0	0	0	0	0	1,016
Pensions	(457,340)	0	0	0	0	0	(457,340)
Accumulated absences account	(12,994)	0	0	0	0	0	(12,994)
Equal Pay Back Pay Account	0	0	0	0	0	0	0
Revenue - Earmarked	63,771	0	0	0	0	0	63,771
Revenue - General	14,867	12,253	192	158	96	(1,046)	26,520
Minority Interest		1,096	0	0	0	0	1,096
TOTAL FUNDS	267,633	16,162	192	158	96	(3,859)	280,382

6.17 Notes to the Group Cash Flow Statement

2009/10 £000		2010/11 £000
6,964	(Surplus) / Deficit for the Year	44,627
	<u>Non Cash Transactions</u>	
50,578	Depreciation and Impairment	25,109
(2,919)	Revaluation decreases written off to I&E in year	48,029
8,395	Deferred grants amortisation	4,738
(8,395)	Deferred grants amortisation reversed	0
(1,216)	Impairments/revaluations reversed	0
17,267	Pension Fund Adjustments	27,738
(976)	Appropriation to Collection Fund Adjustment Account	0
(31,974)	Provision for Equal Pay	0
290	Contributions to Provisions	4,830
0	Carrying amount of non current assets sold	28,423
0	Adjustments for effective interest rates	(43)
0	CAA adjustment	(2,787)
	<u>Items on an Accruals Basis</u>	
229	(Increase) / Decrease in Stock	(718)
(16)	(Increase) / Decrease in Debtors	3,518
(6,947)	Increase / (Decrease) in Creditors	(3,357)
24,316		135,480
	<u>Adjustments for Items that are investing or financing activities</u>	
0	Proceeds from the sale of short and long term investments	(148,424)
0	Purchase of short term investments	155,275
747	Interest and Investment Income	0
13,292	Interest Payable and Similar Charges	0
(905)	Gain/Loss on Disposal of Fixed Assets	0
(41,835)	Capital Grants included in CI&E but already in cash flow	(94,382)
(386)	Revenue grants included 9/10 only	0
(6,150)	Finance lease transactions 9/10 only	0
0	Proceeds from the sale of PPE, investment property and intangible assets	(6,631)
(35,237)		(94,162)
(3,957)		85,945

Operating Activities - Interest analysis

2009/10 £000		2010/11 £000
(1,665)	Interest Received	(1,641)
13,062	Interest Paid	14,714
	Dividends received	0
11,397	Total	13,073

Cashflows from Investing Activities

2009/10 £000		2010/11 £000
87,254	Purchase of PPE, Investment property and intangible assets	131,418
2,107	Purchase of short term and long term investments	155,275
(2,681)	Proceeds from the sale of PPE, Investment property and intangible assets	(2,509)
(11,573)	Proceeds from short term and long term investments	(118,424)
(66,178)	Other receipts from investing activities	(94,783)
8,929	Total	70,977

Cashflows from Financing Activities

2009/10 £000		2010/11 £000
(37,500)	Cash receipts of short term and long term borrowing	(30,000)
(7,056)	Other receipts from financing events	
0	Appropriation to / from Collection Fund adjustment account	857
6,150	Payments for the reduction on finance liability	6,150
(38,406)	Total	(22,993)

Makeup of Cash and Cash Equivalents

2009/10 £000		2010/11 £000
55,631	Cash and Bank balances	90,602
0	Cash Investments - regarded as cash equivalents	
(10,573)	Bank overdraft	(7,583)
45,058	Total	83,019

SECTION 7 – PENSION FUND ACCOUNTS

CONTENTS

- 7.1 The Local Government Pension Scheme
- 7.2 Overview
- 7.3 Statement of Investment Principles
- 7.4 Financial Statements and Notes to the Accounts
- 7.5 Actuarial Position of the Fund
- 7.6 Participating Employers of the Fund
- 7.7 Investment Assets of the Fund
- 7.8 Investment Performance
- 7.9 The Firefighters' Pension Scheme Accounts

7.1 THE LOCAL GOVERNMENT PENSION SCHEME

The Cumbria Local Government Pension scheme is part of the Local Government Pension Scheme. The scheme is a funded pension scheme, which means that funds are set aside to meet future retirement needs of scheme members. The scheme is a statutory pension scheme governed by the Superannuation Act 1972 and the Local Government Pension Scheme Regulations 1997. Under these regulations Cumbria County Council is required to provide an administration service for the scheme within the geographical area of Cumbria.

The County Council administers the pension scheme on behalf of 86 employers who are members of the scheme such as local authorities, further and higher education colleges and voluntary organisations. The fund includes a number of 'Admitted Bodies', i.e. organisations that have entered into an admission agreement with the County Council to participate in the pension scheme. The Cumbria Pension Scheme currently includes 47 admitted bodies such as charities and other non-profit making organisations.

The scheme is open to all local government employees within the County who are not covered by alternative pension arrangements. The main categories of employees covered by alternative arrangements are teachers, Fire Service uniformed personnel and police officers. Membership is also open to other eligible employees of employer members of the scheme. All local government employees (except casual workers) are automatically entered into the scheme, but they may opt out if they do not want to retain membership. Under the provisions of the Social Security Act 1986, all employees are entitled to make alternative arrangements for their retirement, within rules laid down by the government.

The accounts (financial statements and certain sections) are summarised to form part of Cumbria County Council's Annual Accounts. The full Cumbria Local Government Pension Scheme Annual Report and Accounts 2010/11 will be published and made available to all the employers and interested parties giving full details of the Fund's performance, management structure and investment news. It will be available on the Council's website from 30th September 2011 at the address:

www.cumbria.gov.uk/Finance.

7.2 OVERVIEW

These accounts are prepared on behalf of Cumbria County Council, as beneficial owner of the assets of the scheme. The local government pension scheme, unlike private pension schemes, does not have trustees. The scheme is governed by elected members who represent Cumbria County Council and the District Councils, and the Pensions Committee perform duties that are similar to those of private trustees. The County Council has the ultimate responsibility for administration of benefits under the scheme.

The Pensions Committee normally meet five times a year and one of their duties is to decide the future investment strategy. The Committee members are advised by Independent Advisers, Mr Tim Gardener and Mr Alistair Sutherland and by Council officers. Advice may also be obtained

on specific issues from Investment Consultants or other experts where appropriate.

At the 31st March 2011 the Cumbria Local Government Pension Scheme had over 17,800 active members, over 12,500 pensioners and dependants receiving benefits, and over 12,900 preserved pensions. Of the 86 employer bodies in the Cumbria scheme 21 have no active members. A full list of the scheduled and admitted bodies currently in the Scheme is shown in Section 7.6 later in this report.

The Cumbria Local Government Pension Scheme collects contributions from both the scheme employers and employees. Seven external fund managers invest these monies on behalf of the Fund. The current mandates with these managers cover investments in UK equities, overseas equities, index-linked securities, fixed interest securities, managed funds (in particular unit and investment trusts), direct property, alternatives, cash and other assets as determined from time to time by the Pensions Committee. The investment mandates are constructed with the objective of achieving excess returns whilst ensuring diversification across the Fund portfolio as a whole. This ensures that the Fund can achieve excess returns without exposing it to excessive risk, and also ensures it complies with the Local Government Pension Scheme (Management and Investment of Funds) Regulations 1998.

The Fund increased in value in the year to 31st March 2011 from £1,278 million to £1,400 million, an increase of £122 million. The bulk of this increase came from the rise in value of investments (£78 million) and investment income (£25 million net of tax), offset by investment management expenses (£3 million). The net result of the contributions less the benefits paid to pensioners and dependants increased the value of the Fund by £22 million. The employer contributions are unusually large for this year due to the exit from the scheme of Capita, an admission body, and the inclusion of a provisional amount for the subsequent capital payment to offset their deficit of £10.2 million, shown as income. Also shown this year is the completion of the arrangements transferring the Cumbria Magistrates Courts to central government, and therefore income of £2.8 million is recognised as a group transfer.

International Financial Reporting Standards

Introduced this year is the full implementation of International Financial Reporting. From 2010/11, Local Government Pension Scheme Accounts must comply with International Financial Reporting Standards; these aim to standardise the reporting and information disclosed in the accounts of companies and other organisations globally.

One increased requirement is to set out the assumptions and uncertainties contained within figures in the accounts, and the use of estimates. These uncertainties are inherent in the investment landscape, where valuations depend on market forces impacting the current price of stocks, shares and other investment instruments. The Accounts are as at 31st March 2011, one point in time, and all the investments held by the fund are valued as at that date using the best estimate possible, as detailed in Sections 7.4.4, and 7.7.1 to 7.7.5. Investments have been valued at the IFRS accepted method of 'Fair Value' since 2008/09, this usually being the 'bid price', therefore no restatement of opening figures is needed.

Some additional information required is the IAS19 whole Fund valuation. Previously, under FRS17, individual employer positions were determined by the Actuary, but from this year the actuarial present value of promised retirement benefits must be disclosed at total Fund level. See Section 7.5 for further details.

7.3 STATEMENT OF INVESTMENT PRINCIPLES

There is a statutory requirement for administering authorities to prepare and maintain a Statement of Investment Principles. The full Statement in place at the 31st March 2011 can be found in the full Annual Report 2010/11, where the Actuarial Certificate, Funding Strategy Statement and Governance Policy Statement are also published. It will be available on the Council's website from 30th September 2011 at the address www.cumbria.gov.uk/Finance.

7.4 FINANCIAL STATEMENTS AND NOTES TO THE ACCOUNTS

The Statement of Accounts for the Cumbria Local Government Pension Scheme is presented in its entirety and separately from the general fund in keeping with its significance and the fact that, although the County Council is the administering authority, the fund covers both County Council employees and those of other scheduled and admitted bodies. The preparation of these accounts by the administering authority is a requirement of the "Code of Practice on Local Authority Accounting in the United Kingdom 2010/11".

7.4.1 PENSION SCHEME FUND ACCOUNT

2009/10 £000's	FUND ACCOUNT FOR THE YEAR TO 31ST MARCH 2011	Notes	2010/11 £000's	2010/11 £000's
	Dealings with Members, Employers and Others			
	Contributions Receivable			
	From Employers			
49,754	Normal	7.6.1	49,745	
1,474	Augmentation	7.6.1	679	
	Other - Capital payments	7.6.1	10,840	
2,877	Other - Actuarial Strain	7.6.1	3,592	
				64,856
	From Employees or Members			
17,690	Normal	7.6.1		17,527
	Transfers In			
0	Group transfers from other Schemes		2,828	
5,282	Individual transfers in from other Schemes		5,553	
				8,381
	Other Income			
58	Interest on Internal Cash			19
77,135	Total Income			90,783
	Less:			
	Benefits Payable			
44,573	Pensions	7.6.1	46,674	
13,797	Lump Sum Retirement Benefits	7.6.1	14,011	
980	Lump Sum Death Benefits	7.6.1	2,011	
				62,696
	Payments to and on account of leavers			
2	Refund of contributions		4	
1,797	Group transfers out to other Schemes		0	
4,108	Individual transfers out to other Schemes		5,118	
				5,122
	Other payments			
(52)	Bad Debt Written Off			(3)
1,134	Administrative Expenses	7.4.7		1,251
66,339	Total Expenditure			69,066
10,796	Net additions from dealing with Members			21,717
	Returns on Investments			
24,019	Investment Income	7.4.9	25,619	
(394)	Less: Irrecoverable tax on dividends	7.4.9	(348)	
				25,271
254,446	Change in Market Value of Investments	7.4.8	77,537	
(2,977)	Less: Investment Management Expenses		(3,019)	
				74,518
275,094	Net Return on Investments			99,789
285,890	Net Increase / (Decrease) in the Fund during the Year			121,506
992,530	Add: Opening Net Assets of the Scheme			1,278,420
1,278,420	Closing Net Assets of the Scheme			1,399,926

7.4.2 NET ASSET STATEMENT

2009/10 £000's	NET ASSETS AS AT 31ST MARCH 2011	Notes	2010/11 £000's	2010/11 £000's
	Investment Assets			
	Fixed Interest Securities			
43,317	Public Sector	7.7.1	62,682	
74,381	Other	7.7.1	64,924	127,606
463,438	Equities (including convertible shares)	7.7.1		507,516
0	Index linked securities	7.7.1		
	Pooled Investment Vehicles			
458,885	Unitised Insurance Policies	7.7.1	500,137	
25,588	Unit Trusts	7.7.1	30,026	
110,026	Managed Funds	7.7.1	119,035	649,198
74,075	Property	7.7.1		84,285
4,796	Derivative Contracts	7.7.4		631
14,736	Cash & Money Market Instruments	7.7.1		11,790
				1,381,026
	Investment Liabilities			
(1,332)	Derivative Contracts	7.7.4		(3,763)
1,267,910		7.4.8		1,377,263
	Other Investment Balances			
10,120	Investment Debtors	7.4.5	6,879	
(3,338)	Investment Creditors	7.4.6	(3,343)	3,536
1,274,692	Total Investment Assets in Investment Portfolio			1,380,799
	Current Assets / Liabilities			
3,737	Debtors	7.4.5	19,470	
(2,432)	Creditors	7.4.6	(2,012)	
2,423	Cash with Administering Authority		0	
0	Cash at bank		1,669	19,127
3,728	Net Current Assets			19,127
1,278,420	TOTAL			1,399,926

The above shows a statement of net assets available for benefits. The Fund complies with all additional reporting requirements' introduced this year with the implementation of International Financial Reporting. From 2010/11, Local Government Pension Scheme Accounts must comply with IAS26 'Retirement Benefit Plans' and this requires the actuarial present value of promised retirement benefits to be disclosed. This information can be found at Section 7.5.

7.4.3 ACCOUNTING POLICIES

The general principles adopted in the preparation of the full Annual Report and Accounts are those recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA). They meet the requirements of the Local Government Pension Fund Regulations and the recommendations of the "Code of Practice on Local Authority Accounting in the United Kingdom 2010/11" (the Code) based on International Financial Reporting Standards. The disclosure requirements for the summarised pension fund accounts are, however, limited to those recommended by the Code.

Accounting policies adopted are detailed further in the relevant sections, and other than the first two here have not changed from the previous year's accounting policies. In summary:

- The Scheme has its own bank account which held the scheme's cash balance at 31st March 2011. This is to comply with the requirements of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009. Prior to this, the scheme's cash balance was held within the administering authority's bank accounts.
- The income received in instalments over many years from long-term debtors has been discounted to reflect the time value of money in accordance with IFRS, where significant.
- Contributions, benefits and investment income due at 31st March are included on an accruals basis.
- Investments are included in the accounts at market value, usually bid price.
- Debtors and creditors are raised for all amounts outstanding at 31st March.
- Transfer values received and paid out, and lump sum payments, have been accounted for on a cash basis.
- The financial statements do not take account of liabilities to pay pensions and other benefits after the reported accounting period.
- Investment management expenses are shown separately from scheme administration in the Fund Account and include the fees paid and due to the fund managers and custodian, actuarial fees, performance measurement and investment consultant fees.
- Acquisition costs of investments include all direct transaction costs. Property acquisition costs are capitalised and become part of the book cost.
- Derivative contracts outstanding at the year end are stated at fair value as both investment assets and liabilities.

7.4.4 BASIS OF VALUATION OF INVESTMENTS

Investments are shown in the accounts at market value. The independent custodian, State Street Bank and Trust, values the assets other than direct property investments. This scrutiny provides an extra level of independence. Investments are valued at Fair Value, which is usually the bid price (this valuation method was implemented during 2008/09 and therefore does not represent a change to previous years).

Pooled investment vehicles are stated at the bid price quoted by their managers at close of business on 31st March. Unquoted investments are valued with regard to latest dealings and other appropriate financial information as provided by their respective managers. More detail on unquoted investments is at Section 7.7.5.

State Street Bank and Trust value all overseas securities and foreign currency balances in local currency then convert to sterling using the WM Reuters 16:00 exchange rates at 31st March.

Further details of the pricing policy are as follows:

Equities

Pricing accuracy on equities is ensured by a series of data quality verifications that occur on a daily basis. Prices are reviewed beginning at the vendor file level to ensure that the appropriate number of prices are received at the expected time. From there, all U.S. and Non-U.S. traded equity prices are reviewed by comparison to a second price source using a zero tolerance threshold. By verifying the prices from two major vendor sources, daily price exceptions can be accurately identified. All discrepancies are researched with the primary source and secondary sources for validation, and updated accordingly.

Bonds

Prices are received daily from vendors in electronic transmissions and posted to a centralised database. In order to be loaded to the price database, asset identifier information is verified versus State Street's security master file. As price file loading occurs, daily tolerance verification is completed at the security level. Each security is automatically compared to the previous day's price. Changes exceeding a percentage of 5% are posted to a tolerance exception report and verified via secondary sources. If price exceptions cannot be validated by a secondary source, a challenge will be submitted to the appropriate vendor. Prices proven to be invalid are manually updated by GPS. Additional tolerance exception reporting can also be completed at the holdings level.

Sources of Prices are Bloomberg, FRI, FT Interactive Data, IBOXX, Moneymate, Prudential American, Reuters. This information is a summary from a detailed pricing document which is available upon request.

Direct Property Investments

Direct property is valued annually at the 31st March by an independent valuer CB Richard Ellis, Chartered Surveyors, 77 Grosvenor Street, London. Property is valued at "market value" and the definition is: "The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's - length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion". Interest on property developments would be capitalised and become part of the book cost.

Derivative Contracts

Forward foreign exchange contracts outstanding at the year end are stated at fair value which is determined as the gain or loss that would arise if the outstanding contract was matched at the year end with an equal and opposite contract. The contracts are valued using the WM/Reuters 4pm closing spot/forwards rates. This is covered in more detail in Section 7.7.4.

7.4.5 DEBTORS

Revenue transactions are recorded on a system of receipts and payments. Debtors have been introduced in respect of major items of income due but not received at 31st March. The fund's financial

statements do not take account of liabilities to pay pensions, lump sums and other benefits after the financial year-end.

Debtors can be analysed as follows:

	2009/10 £000's	2010/11 £000's
External Managers		
Securities sold awaiting settlement	4,212	1,644
Investment Income Accrued	4,236	4,309
Property Debtors	1,672	926
Total External Manager Debtors	10,120	6,879
Administering Authority		
Pension increase and additional lump sums	304	0
Contributions due	2,300	4,913
Long Term Debtors - Contributions	65	52
Employer exit from scheme due < 1 year	0	10,689
Long Term Debtors - Employer exit	0	2,957
Due from Investment Manager	921	0
Miscellaneous	147	859
Total Administering Authority Debtors	3,737	19,470

The debtors are unusually large for this year due to the exit from the scheme of Capita, an admission body, and the estimated capital payment due to offset their deficit of £10.2 million is shown within 'Employer exit from the scheme due < 1 year'.

Also shown is the debt due from the Ministry of Justice in transferring the Cumbria Magistrates Courts to central government, and as these payments will be received in ten annual instalments beginning April 2011, the first instalment of £0.3 million is shown within 'Employer exit from the scheme due < 1 year' and the remainder of £2.9 million shown as 'Long Term Debtors – Employer exit'. The Environment Agency debt of £0.2 million also appears in the heading 'Employer exit from the scheme due < 1 year'.

The debtors can be summarised to comply with International Financial Reporting Standards as follows:

	2009/10 £000's	2010/11 £000's
External Managers		
Other entities and individuals	10,120	6,879
Total External Manager Debtors	10,120	6,879
Administering Authority		
Central Government bodies	0	3,615
Local authorities	2,070	4,647
Other entities and individuals	1,667	11,208
Total Administering Authority Debtors	3,737	19,470

It is Fund policy that the costs of non ill health early retirements are recharged to employers by additional lump sum charges. Cumbria Council in agreement with the Actuary has from 1st April 2011 made an additional employer contribution of 0.5% from services (excluding the schools). This is due to the unusual number of redundancies and therefore associated pensions actuarial strain costs that are anticipated in the forthcoming years (required as a result of the unprecedented budget cuts).

This additional contribution will fund an allowance for non-ill health early retirements for the years 2011 to 2014, in place of being recharged the individual costs of non ill-health retirements, until this allowance is fully used. Cumbria County Council also has a voluntary arrangement whereby part of the actuarial strain of ill health retirements is paid immediately. Details are contained in the full Actuarial Valuation Report as at 31 March 2010, available in the Annual Report and Accounts and on the County Council's website, at www.cumbria.gov.uk/finance.

7.4.6 CREDITORS

Payments during the year have been converted to an expenditure basis by the introduction of creditors, to record significant amounts owing at 31st March.

Creditors can be analysed as follows:

	2009/10 £000's	2010/11 £000's
External Managers		
Purchases awaiting settlement	261	1,422
Property Creditors	3,077	1,921
Total External Manager Creditors	3,338	3,343
Administering Authority		
Investment Managers Fees	900	845
Tax/NI Payable	519	490
VAT Payable	921	0
Interest Provision on Long-term Debt	0	457
Miscellaneous	92	220
Total Administering Authority Creditors	2,432	2,012

To comply with IFRS, if the settlement of transfers are phased over more than one year then the value must be discounted. The discounted element of the future cash stream from the Ministry of Justice in transferring the Cumbria Magistrates Courts to central government is shown as 'Interest Provision on Long-term Debt' and will be unwound over the life of the settlement. The discounted income of £2.8 million is recognised as a group transfer in 2010/11.

The creditors can be summarised to comply with International Financial Reporting Standards as follows:

	2009/10 £000's	2010/11 £000's
External Managers		
Other entities and individuals	3,338	3,343
Total External Manager Creditors	3,338	3,343
Administering Authority		
Central Government bodies	1,440	490
Other entities and individuals	992	1,522
Total Administering Authority Creditors	2,432	2,012

7.4.7 ALLOCATION OF ADMINISTRATION EXPENSES

A proportion of relevant officers' salaries has been charged to the Pension Scheme. In addition the cost of maintaining the employee contribution records, paying benefits and provision of other services has also been charged to the Scheme. This accords with the government regulations on the management of local government pension schemes. From 1st February 2011, the provision of pension administration service changed from Capita to Your Pension Service, and is operated in accordance with a service level agreement with Lancashire County Council.

Further details of administration expenses are as follows:

	Basis of Allocation	2009/10 £000's	2010/11 £000's
Corporate Finance	Time recording system	208	249
Internal Audit	Time recording system	10	10
Bank Charges	Cash Flow of the Authority	7	7
Creditor Payments	Number of invoices	5	4
Debtors System	Number of accounts	4	3
Your Pension Service	Payment under SLA	0	115
Capita Pensions	Payment under contract	785	699
		1,019	1,087
Other Fees & Purchases		115	164
Total Administration Expenses		1,134	1,251

Investment management expenses are shown separately from scheme administration in the Fund Account at 7.4.1, and include the fees paid to the fund managers and custodian, actuarial fees, performance measurement and investment consultant fees.

7.4.8 CHANGE IN VALUE OF INVESTMENTS

During the financial year the following purchases and sales of investments were made. Purchases and sales also include transfers of investments, and cash transfers from and to the Administering Authority.

	Value at 1st April 2010 £'000	Purchases at Cost and Derivative Payments £'000	Sales Proceeds and Derivative Receipts £'000	Realised gains/losses £'000	Unrealised gains/losses £'000	Value at 31st March 2011 £'000
Fixed Interest Securities	117,698	256,418	(247,944)	1,623	(189)	127,606
Equities						
UK Equities	171,495	32,470	(29,219)	6,318	7,766	188,830
Overseas Equities	291,943	147,388	(138,089)	14,917	2,527	318,686
Total Equities	463,438	179,858	(167,308)	21,235	10,293	507,516
Index-Linked Securities	0					0
Pooled Investment Vehicles	458,885	93,611	(86,402)	25,074	8,969	500,137
Unit Trusts	25,588	4,438				30,026
Managed Funds	110,026	131,002	(122,809)	4,987	(4,171)	119,035
Property	74,075	11,415	(5,013)	288	3,520	84,285
Derivatives (Forward FX Contracts)	3,464	771	(13,275)	6,108	(200)	(3,132)
Total excluding cash	1,253,174	677,513	(642,751)	59,315	18,222	1,365,473
Cash Deposits	14,736					11,790
Total Investments	1,267,910					1,377,263

Direct transaction costs are included in the cost of purchases and sale proceeds. Transaction costs include costs charged directly to the scheme such as fees, commissions, stamp duty and any other trading fees. Transaction costs incurred during the year amounted to £0.346 million, which is 0.03% of the purchases and sales proceeds (for comparison the costs in 2009/10 were £0.377 million, 0.03% of trades).

In addition to the direct transaction costs disclosed above, indirect costs are incurred through the bid-offer spread on investments within pooled investment vehicles. The amount of indirect costs is not separately provided to the scheme.

7.4.9 INVESTMENT INCOME

Investment income includes share dividends and interest on investments, net property rental income, stock lending and class action income received. Accruals are made for dividends receivable, interest receivable, and the recoverable tax on dividends. The investment income of £25.3 million, net of £0.3 million irrecoverable tax on dividends, can be analysed as follows:

	2009/10 £000's	2009/10 %	2010/11 £000's	2010/11 %
Fixed Interest Securities	6,005	25.4%	6,313	25.0%
Equities				
UK Equities	4,735	20.0%	4,870	19.3%
Overseas Equities	7,477	31.6%	8,221	32.5%
Total Equities	12,212	51.7%	13,091	51.8%
Index-Linked Securities	0	0.0%		0.0%
Pooled Investment Vehicles	1,332	5.6%	371	1.5%
Property	4,000	16.9%	5,493	21.7%
Cash Deposits	76	0.3%	3	0.0%
	23,625	100.0%	25,271	100.0%

7.4.10 STOCK LENDING

Stock lending is the loan of specific securities from one investor to another that entitles the lender to continue receiving income generated by the stock plus an additional payment by the borrower. Exposure to risk is reduced by the borrower providing high quality collateral (cash, securities or gilts). A programme began during April 2005 through the custodian, State Street Bank and Trust, to earn additional income for the scheme from stock lending.

Securities on loan at the 31st March 2011 of £21.1 million are included in the net asset statement to reflect the scheme's continuing economic interest in the securities, and consist of £16.7 million UK Treasury Gilts, £2.8 million UK equities, and £1.6 million overseas equities. The related collateral totalled £21.8 million, consisting of £13.9 million overseas bonds, £6.9 million gilts, and £1.0 million UK equities.

For the year to 31st March 2011, the scheme earned income of £0.055 million through stock lending of the various assets, included in 7.4.9 above.

7.4.11 RELATED PARTIES

In day-to-day operations the scheme has many transactions with Cumbria County Council as the administering authority of the scheme, including the pension contributions as an employer, payments on the scheme's behalf for manager fees and administration, and recharges for services provided. There are no material transactions in respect of related parties requiring separate reporting. The fund does not invest for example in schemes of economic regeneration sponsored by any of the employing bodies including Cumbria County Council.

There are of course normal transactions with all the employers who have members in the scheme, who may be regarded as related parties, predominantly relating to employee and employer contributions. These

transactions are reported as part of the income and expenditure statements.

Executive Board Members and senior employees of all Employers within the Cumbria Local Government Pension Scheme (LGPS) were asked to complete a declaration in addition to all members of the Pensions Committee. Eight of Cumbria County Council's Councillors form the membership of the Cumbria Pensions Committee together with one co-opted District Councillor representing the six District Councils in Cumbria and an employee representative as a non-voting member. An examination of the returns for 2010/11 reveals that there were no material transactions between the Council and the members/officers and their families affecting involvement with the Pension Fund. Each member of the Pension Committee formally considers conflicts of interest at each meeting. Such transactions as have been identified are either non-material or are associated with the normal activities of the individuals in question.

7.4.12 POST BALANCE SHEET EVENTS

The management of the active bond portfolio with Insight Investment Management Ltd was terminated in April 2011. The assets have been transferred to Legal and General on a passive basis while a full procurement process can be undertaken to appoint a new manager.

7.4.13 CONTINGENT LIABILITIES/ASSETS

The debtor due to the exit from the scheme of Capita and the capital payment to offset their deficit is a provisional figure of £10.2 million. The methods used by the actuary in calculating this figure have the agreement of Capita following preparatory discussions with them, and full payment of the value will be sought during 2011/12.

Also shown in debtors is the income of £3.3 million due from the Ministry of Justice in transferring the Cumbria Magistrates Courts to central government, and the first of the ten annual instalments was received in April 2011.

7.4.14 ADDITIONAL VOLUNTARY CONTRIBUTIONS

The administering authority operates an additional voluntary contribution scheme. Employees are allowed to pay voluntary contributions to one of two independent AVC scheme providers. To comply with regulation 5(2) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 1998 the transactions are treated separately to these accounts and do not form part of them.

The two providers offered are Standard Life and Scottish Widows. The authority gives no guarantee of investment performance of the providers and makes no contribution to the employees' funds. The previous scheme on offer to employees was the Equitable Life Assurance Society but in December 2000 it stopped writing new business. The Financial Statements of the two schemes for Cumbria LGPS, along with those of Equitable Life, are shown below:

	Standard Life £000's	Scottish Widows £000's	Equitable Life £000's	TOTAL £000's
Opening Net Assets	984	1,118	1,418	3,520
Income				
Contributions Received	50	87	17	154
Transfers In	0	3	0	3
Expenditure				
Retirement Benefits	(78)	(8)	(200)	(286)
Transfers Out	(17)	(60)	(7)	(84)
Change in Market Value	56	50	57	163
Closing Net Assets	995	1,190	1,285	3,470

Members have the option of contributing to the various funds offered by their chosen provider. The ultimate destination for the investment contributions paid by a member is the securing of a pension at retirement, usually by buying an annuity or transferring the investment into the main Scheme assets under Regulation 66. The investment could be realisable earlier in the event of a member's death before retirement.

7.5 ACTUARIAL POSITION OF THE FUND

Over the page is shown a statement from the scheme actuary as required by the Local Government Pension Scheme (Administration Regulations) 2008. This statement shows both the actuarial valuation result and the actuarial value of the Fund's past service liabilities calculated in a manner consistent with International Accounting Standard 19 (IAS 19). The statement also complies with the requirements of IAS 26. The full Actuarial Valuation Report as at 31 March 2010 is available on the County Council's website, at www.cumbria.gov.uk/finance.

CUMBRIA LOCAL GOVERNMENT PENSION SCHEME

Accounts for the year ended 31 March 2011

Statement by Consulting Actuary

This is the statement required under Regulation 34(1)(d) of The Local Government Pension Scheme (Administration) Regulations 2008.

An actuarial valuation of the Cumbria Local Government Pension Scheme was carried out as at 31 March 2010 to determine the contribution rates with effect from 1 April 2011 to 31 March 2014. The results of the valuation are contained in our report dated 31 March 2011.

On the basis of the assumptions adopted, the valuation revealed that the value of the Fund's assets of £1,278 million represented 79% of the Funding Target of £1,609 million at the valuation date. The valuation also showed that a common rate of contribution of 12.5% of pensionable pay per annum was required from employers. The common rate is calculated as being sufficient, together with contributions paid by members, to meet all liabilities arising in respect of service after the valuation date.

Adopting the same method and assumptions as used for assessing the Funding Target the deficit would be eliminated by an average additional contribution rate of 5.9% of pensionable pay for 22 years. This would imply an average employer contribution rate of 18.4% of pensionable pay in total.

In practice, each individual employer's position is assessed separately and the contributions required are set out in our report dated 31 March 2011. In addition to the certified contribution rates, payments to cover additional liabilities arising from early retirements (other than ill-health retirements) will be made to the Fund by the employers.

The funding plan adopted in assessing the contributions for each individual employer is in accordance with the Funding Strategy Statement (FSS). In particular, there were variations in the approach adopted in setting the Funding Target for certain employees. Different approaches adopted in implementing contribution increases and deficit recovery periods are as determined through the FSS consultation process.

The valuation was carried out using the projected unit actuarial method and the main actuarial assumptions used for assessing the Funding Target and the common contribution rates are set out as follows :

	For past service liabilities	For future service liabilities
Rate of return on investments:		
- pre retirement	6.5% per annum	6.75% per annum
- post retirement	5.5% per annum	6.75% per annum
Rate of pay increases:	4.75% per annum	4.75% per annum
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension):	3.0% per annum	3.0% per annum

The assets were assessed at market value.

The next triennial actuarial valuation of the Fund is due as at 31 March 2013. Based on the results of this valuation, the contribution rates payable by the individual employers will be revised with effect from 1 April 2014.

Actuarial Present Value of Promised Retirement Benefits for the Purposes of IAS 26

IAS 26 requires the present value of the Fund's promised retirement benefits to be disclosed, and for this purpose the actuarial assumptions and methodology used should be based on IAS 19 rather than the assumptions and methodology used for funding purposes.

In order to assess the value of the benefits on this basis, we have used the same actuarial assumptions as those used for funding purposes, other than the discount rate where we have used a rate of 5.6% p.a. both before and after retirement, rather than the rates as outlined above. We have also used valuation methodology in connection with ill-health and death benefits which is consistent with IAS 19. On this basis, the value of the Fund's promised retirement benefits as at 31 March 2010 was £1,709 million.

We have also carried out similar calculations as at the previous actuarial valuation date of 31 March 2007, using the same actuarial assumptions as those used for funding purposes at that date, other than the discount rate where we have used a rate of 5.4% p.a. both before and after retirement. On this basis, the value, for IAS 26 purposes, of the Fund's promised retirement benefits at that date was £1,584 million.

John Livesey

Fellow of the Institute and Faculty of Actuaries
Mercer Limited
June 2011

The County Council (excluding schools) and ten other employers have adopted an alternative approach to the employer contributions going forward and are paying a lump sum employer contribution in addition to a

fixed rate, increasing over the three years. This prevents contributions falling due to reductions in staff numbers, which would adversely impact the 2013 valuations. The County Council's schools contribution rate has been set at a flat rate of 19.0%. This can be compared to the average contribution rate for the English Shire Counties of 19.2%.

The actuary also carries out quarterly updates of the funding position. This showed the funding position had increased from 79% funded at 31 March 2010, to 82% as at 31 March 2011.

7.6 PARTICIPATING EMPLOYERS OF THE SCHEME

As at 31st March 2011 the scheduled and admitted bodies covered by the Cumbria Local Government Pension Scheme were:

Employers of the Scheme as at 31 March 2011	
Scheme Employers:	Admitted Bodies (continued)
Cumbria County Council	Barrow & District Soc for Blind
District Councils	Barrow Citizens Advice
Allerdale Borough Council	Bulloughs Cleaning Services Ltd
Barrow Borough Council	Carlisle Leisure Allerdale
Carlisle City Council	Carlisle Leisure Ltd
Copeland Borough Council	Commission for Social Care Inspection
Eden District Council	Cumbria Cerebral Palsy
South Lakeland District Council	Cumbria Deaf Association
Scheduled Bodies	Cumbria Sea Fisheries (Transferring)
Barrow Sixth Form College	Cumbria Tourism
Carlisle College	Cumbria Training Partnership
Cleator Moor Town Council	Cumbria Vision Renaissance Ltd
Cockermouth Town Council	Currock Community Centre
Cumbria Police Authority	Eden Housing Association
Cumbria Probation Service	Egremont & District Pool Trust
Cumbria Waste Management	FOCSA Services
Furness Academy	Glenmore Trust
Furness College	Graham Asset Management (New)
Kendal College Further Educ	Harraby Community Centre
Kendal Town Council	Higham Hall
Keswick Town Council	Home Group (Copeland)
Lake District National Park Authority	Kendal Brewery Arts Centre Trust Ltd
Lakes College (West Cumbria)	Kendal Citizens Advice
Queen Elizabeth School (New)	Longtown Memorial Hall Community Centre
Richard Rose Academies	Mellors Catering Services
Seaton Academy (New)	Morton Community Centre
South Lakeland Housing ALMO	North Country Leisure (Copeland)
Valuation Tribunal Service	Oaklea Trust
West Lakes Academy	Riverside Housing
Wigton Town Council	Soundwave
Scheduled Bodies No Actives	South Lakeland Leisure
Brampton Parish Council	TADEA
Charlotte Mason College	West House
Cumbria Primary Teacher Training	Wigton Joint Burial Committee
Dept Constit Affairs (Cumbria Magistrates)	Admitted Bodies No Actives
Health Authority	Barnardos (Closing)
Millom Town Council	Botcherby Community Centre
Port of Workington	Capita Business Services (Closing)
Practical Alternatives to Custody (Ltd)	Direct Training Services
Ulverston Town Council	Henry Lonsdale Trust
Cumbria Institute of the Arts	Howgill Family Centre (Closing)
Water Authority	Lake District Cheshire Homes
Admitted Bodies	NRCS Ltd (Neighbourhood Revitalisation)
Agilisys	Project Homeless
Amey Infrastructure Services	Troutbeck Bridge Swim Pool Ltd
Attendo Monitoring (Mobile Response)	

7.6.1 ANALYSIS OF CONTRIBUTIONS AND BENEFITS

	2009/10 £000's	2010/11 £000's
Employer Contributions to the Fund		
Cumbria County Council	30,518	30,610
Scheduled Bodies	19,118	18,763
Admitted Bodies	4,469	15,483
	54,105	64,856
Employee Contributions to the Fund		
Cumbria County Council	9,975	10,068
Scheduled Bodies	5,915	5,777
Admitted Bodies	1,800	1,682
	17,690	17,527
Net Pensions Paid		
Cumbria County Council	24,345	25,184
Scheduled Bodies	17,989	18,902
Admitted Bodies	2,239	2,587
	44,573	46,673
Net Lump Sum on Retirement		
Cumbria County Council	6,507	6,820
Scheduled Bodies	5,829	5,277
Admitted Bodies	1,461	1,914
	13,797	14,011
Net Lump Sum on Death		
Cumbria County Council	498	1,038
Scheduled Bodies	418	823
Admitted Bodies	64	150
	980	2,011

7.6.2 ANALYSIS OF RETIREMENTS DURING THE YEAR

	NUMBER 2009/10	PERCENTAGE %	NUMBER 2010/11	PERCENTAGE %
Type of Retirement				
Normal	499	82%	315	64%
Ill Health	48	10%	31	6%
Redundancy & Early Retirement	102	8%	147	30%
	649	100%	493	100%

7.7 INVESTMENT ASSETS OF THE FUND

7.7.1 ASSETS SPLIT BETWEEN UK, OVERSEAS, QUOTED AND UNQUOTED

	Asset Value at 31st March 2010 £000's	Percentage at 31st March 2010 %	Asset Value at 31st March 2011 £000's	Percentage at 31st March 2011 %
Investment Assets				
Fixed Interest Securities				
Public Sector / Government				
UK Quoted	42,182	3.3%	62,682	4.6%
Overseas Quoted	1,135	0.1%	0	0.0%
	43,317	3.4%	62,682	4.6%
Corporate Bonds				
UK Quoted	63,925	5.0%	53,810	3.9%
Overseas Quoted	10,456	0.8%	8,970	0.7%
Overseas Unquoted (Note 7.7.5)	0	0.0%	2,144	0.2%
	74,381	5.9%	64,924	4.7%
Total	117,698	9.3%	127,606	9.3%
Equities				
UK Equities				
Quoted	170,943	13.5%	188,123	13.7%
Unquoted (Note 7.7.5)	552	0.0%	707	0.1%
	171,495	13.5%	188,830	13.7%
Overseas Equities				
Quoted	291,943	23.0%	318,686	23.1%
	291,943	23.0%	318,686	23.1%
Total	463,438	36.6%	507,516	36.8%
Index-Linked Securities	0	0.0%	0	0.0%
Pooled Investment Vehicles				
Unitised Insurance Policies - Unquoted (Note 7.7.5)				
UK Equity	166,912	13.2%	157,026	11.4%
Overseas Equity	25,971	2.0%	27,100	2.0%
Public Sector Bonds - UK	81,580	6.4%	24,248	1.8%
Corporate Bonds - UK	55,181	4.4%	139,038	10.1%
Index-Linked Securities - UK	129,241	10.2%	152,725	11.1%
	458,885	36.2%	500,137	36.3%
Unit Trusts - Quoted				
UK Equity	9,643	0.8%	12,646	0.9%
Overseas Equity	15,945	1.3%	17,380	1.3%
	25,588	2.0%	30,026	2.2%
Managed Funds				
Property	9,645	0.8%	8,548	0.6%
Other	100,381	7.9%	110,487	8.0%
	110,026	8.7%	119,035	8.6%
Total	594,499	46.9%	649,198	47.1%
Property				
Freehold	58,250	4.6%	71,300	5.2%
Long Leasehold	12,575	1.0%	12,985	0.9%
Short Leasehold	3,250	0.3%	0	0.0%
Total	74,075	5.8%	84,285	6.1%
Derivative Contracts				
Forward Foreign Exchange Contracts (Note 7.7.4)	4,796	0.4%	631	0.0%
Cash & Money Market Instruments	14,736	1.2%	11,790	0.9%
Investment Liabilities - Derivative Contracts				
Forward Foreign Exchange Contracts (Note 7.7.4)	(1,332)	-0.1%	(3,763)	-0.3%
	1,267,910	100.0%	1,377,263	100.0%

7.7.2 NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

The Pension Fund maintains positions in a variety of financial instruments including bank deposits, equity instruments, fixed interest securities and derivatives. This exposes it to a variety of financial risks including credit and counterparty risk, liquidity risk, market risk and exchange rate risk.

7.7.3 OVERALL PROCEDURES FOR MANAGING RISK

The principal powers to invest are contained in the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 and require an Administering Authority to invest any pension fund money that is not needed immediately to make payments from the Pension Fund. These regulations require the Pension Fund to formulate a policy for the investment of its fund money.

The Administering Authority's overall risk management procedures focus on the unpredictability of financial markets and implementing restrictions to minimise these risks.

The Pension Fund annually reviews its Statement of Investment Principles and corresponding Investment Strategy which sets out the Pension Fund's policy on matters such as the type of investments to be held, balance between types of investments, investment restrictions and the way risk is managed.

The Statement of Investment Principles and the Cash Investment Policy can both be found in the Scheme Policy Document published on-line at www.cumbria.gov.uk/finance.

Investment performance by external Investment Managers is reported to the Pensions Committee quarterly. Performance of the Pension Fund investments managed by external Investment Managers is compared to Benchmark returns.

Liquidity Risk

Liquidity Risk is the risk that the Pension Fund will not be able to meet its financial obligations when they fall due.

The main risk for the Pension Fund is not having the funds available to meet its commitments to make pension payments to its members. The Administering Authority with its Actuaries frequently reviews the overall cash flow position of the Fund to ensure all its obligations can be suitably covered.

It also holds through its managers a large value of very liquid securities which could be very easily be realised if the requirement to do so ever arose.

External Investment Managers have substantial discretionary powers regarding their individual portfolios and the management of their cash positions. The Pension Fund's investments are largely made up of listed securities on major stock exchanges and are therefore considered readily realisable.

Market Risk

Market risk is the risk that the fair value or future cashflows of a financial institution will fluctuate because of changes in market price.

The Pension Fund is exposed to the risk of financial loss from a change in the value of its investments and the risk that the Pension Fund's assets fail to deliver returns in lines with the anticipated returns underpinning the valuation of its liabilities over the long term.

In order to manage market value risk, the Pension Fund has set restrictions on the type of investment it can hold, subject to investment limits, in accordance with the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009. Details can be found in the Pension Funds Statement of Investment Principles. The Pensions Fund has adopted a specific benchmark and the weightings of the various asset classes within the benchmark from the basis for asset allocation within the Pension Fund. This allocation is designed to diversify the risk and minimise the impact of poor performance in a particular asset class. It seeks to achieve a spread of investments across both the main asset classes (quoted equities, bonds, private equity and property) and geographic regions within each asset class.

Market risk is also managed by constructing a diversified portfolio across multiple Investment Managers and regularly reviewing the Investment Strategy and performance of the Pension Fund. On a daily basis, Investment Managers will manage risk in line with policies and procedures put in place in the Investment Manager Mandates and ensure that the agreed limit on maximum exposure to any issuer or class is not breached.

The Pension Funds funding position is sensitive to changes in equities (which affect the net assets available to fund benefits) and bond yields (which affect the value placed on the Pension Funds liabilities).

7.7.4 FOREIGN EXCHANGE - DERIVATIVE CONTRACTS

The Pension Fund holds a number of financial assets and liabilities in overseas financial markets and is therefore exposed to the risk of loss arising from exchange rate movements of foreign currencies. At 31 March 2011, the Pension Fund had overseas investments (excluding forward foreign exchange contract) of £374 million and £4 million cash denominated in currencies other than sterling.

One way for pension funds to reduce the volatility from their foreign currency exposures is to convert these exposures back to the domestic currency – this process is known as currency hedging. It is common for investors to hedge 50% of their foreign currency exposure to 'minimise the regret' of getting it wrong.

The Cumbria Fund has 50% of the investments denominated in overseas currencies hedged into sterling in accordance with the passive currency overlay program. The purpose is to reduce the Fund's exposure to the fluctuations in foreign currency exchange rates depending on conditions and expectations in these markets. This is carried out using derivatives called forward foreign exchange contracts.

As at 31st March 2011 the fund had 100 open forward foreign exchange contracts. These are over-the-counter contracts, the fund held no

exchange traded derivatives. In aggregate the forward foreign exchange contracts are summarised as follows:

Currency	Purchase Contracts at 31st March 2011 in Sterling £000	Sales Contracts at 31st March 2011 in Sterling £000	Unrealised Profit/(Loss) in Sterling £000
Australian Dollar	4,071	0	113
Canadian Dollar	0	277	(4)
Danish Krone	0	1,466	(76)
Euro Currency	629	72,442	(2,068)
Hong Kong Dollar	4,914	0	2
Japanese Yen	1,584	25,564	133
New Zealand Dollar	0	0	0
Norwegian Krone	145	141	(4)
Singapore Dollar	3,723	0	62
South African Rand	0	0	0
Sterling	0	0	0
Swedish Krona	2,086	0	52
Swiss Franc	2,401	0	144
US Dollar	20,285	184,158	(1,486)
TOTAL VALUE	39,838	284,048	(3,132)
Number of Deals	64	36	

Credit Risk

Credit Risk is the risk that counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Pension Fund.

The Pension Fund reviews its exposure to credit and counterparty risk through its external Investment Managers by the review of the Managers annual internal control reports to ensure that Members exercise reasonable care and due diligence in its activities for the Pension Fund.

All derivative transactions incorporate a degree of credit risk. The longer the term of a transaction, the greater the potential for change in market value, and the greater the credit risk. In relation to forward currency contracts there are two elements to this: counterparty risk and settlement risk.

Counterparty risk

The investment manager transacts foreign exchange (FX) trades as an agent, pursuant to umbrella IFEMA Agreements (International Foreign Exchange Master Agreements) entered into with each FX counterparty. The FX trades are uncollateralised, as is common practice in the FX market, so each party has potential counterparty risk for the mark-to-market value/profit on the trade for the duration of that trade. If an FX counterparty fails after the trade has been executed the relevant close out provisions of the broker terms/IFEMA agreement would apply. For example, the close-out mechanism of an IFEMA allows one party to net down its exposure to a failing counterparty across all transactions entered into under the agreement. The non-defaulting party then either owes or is owed a single sum. The loss is likely to be confined to the cost of replacing the failed trades, which may be greater where the trade was in profit.

The principal mitigation of the counterparty risk on an FX trade is the rigour of the counterparty selection and monitoring process. Trades are only executed with approved counterparties, who have satisfied requirements in terms of market capability and credit standing. The list of potential counterparties is subject to approval and monitoring by the

managers Counterparty Credit Risk Sub-Committee as part of their oversight of risks. Subject to overriding requirements for best execution, they will assess and choose the preferred counterparty from the list for any particular trade against the following criteria:

- Previous dealing experience of the counterparty,
- Level of confidence in the counterparty's ability to absorb a trade of that size, based on ongoing research into the capabilities of the main counterparty banks,
- Bank's position in the market for sourcing PFI, corporate, utility and other non-government sources of inflation-linked debt.

Neither the investment manager nor any of its related companies would act as counterparty.

As part of the managers credit and counterparty risk framework, the creditworthiness of all counterparties is reviewed on a regular basis and discussed in detail at Credit Review Group meetings. In addition, more formal review takes place via the Counterparty Sub-Committee meetings, which are currently held quarterly. They can be convened at very short notice to meet any particular demands (as was the case, for example, in the Lehman crisis, when it met daily).

Settlement risk

If the counterparty fails on the settlement date itself, and more specifically if it fails after the Fund has delivered payment but before the counterparty has delivered its payment then there would be a daylight risk of payment vs non-payment. The manager applies operational settlement netting in respect of all client account numbers, thus allowing clients to reduce their settlement exposures by having smaller amounts due to or from them.

There is no movement of principal capital, the credit exposure to either party is represented by the profit or loss on the positions at that point in time i.e. £3.1m loss at 31 March 2011.

As currency movements can be quite volatile positions can change from day to day quite significantly. It is difficult to approximate the size of the risk using historical currency movements, as these cannot be relied upon as a guide to future movements.

7.7.5 UNQUOTED INVESTMENTS

The fund holds significant amounts of unquoted securities. This is mainly due to the fact that the unitised insurance policy held by the passive manager, Legal and General, is invested in unquoted, unitised, index-tracking funds, used as an efficient low risk method of investing in the asset classes. The underlying assets the index-tracking funds hold on behalf of clients are quoted assets such as bonds and equity. The investment managers may also choose to invest in unquoted investments, mainly as managed funds as a preferred method of investing in smaller asset classes or less easily accessed markets.

Pooled investment vehicles are stated at the bid price quoted by their managers at close of business on 31st March. Unquoted investments are valued with regard to latest dealings and other appropriate financial information as provided by their respective managers. The valuations are

audited for each investment manager by their respective auditors and reported to us as clients.

More details of the unquoted investments held at 31st March 2011 are as follows:

Unquoted Investments - Heading	Asset Value at 31st March 2011 £000's	Manager	Details
Fixed Interest Securities Corporate Bonds Overseas Unquoted	2,144	BlackRock	A bond issued by Credit Suisse Bank to BlackRock, to give a return on the bond derived from a basket of commodities in China.
Equities UK Equities Unquoted	707	Schroders	Northern Investors, a holding in a venture capital fund (remnants of investments made in 1984-1990) with no market for exit, held on care and maintenance basis.
Pooled Investment Vehicles Unitised Insurance Policies	500,137	Legal & General	Unquoted, unitised, index-tracking funds
Managed Funds Property Other	8,548 110,487	BlackRock	Alternatives funds - overseas property, hedge funds, private equity, commodities. A mix of in-house funds and funds external to BlackRock.
Total Unquoted Investments	622,023		

7.7.6 VALUATION OF ASSETS MANAGED BY FUND MANAGERS

Manager	Mandate	Asset Value at 31st March 2010 £000's	Percentage at 31st March 2010 %	Asset Value at 31st March 2011 £000's	Percentage at 31st March 2011 %
Legal & General	Passive	458,885	36.2%	500,137	36.3%
GMO UK	Overseas Equity	171,867	13.6%	185,350	13.5%
Schroders Investment Management	UK Equity	164,494	13.0%	182,962	13.3%
Newton Investment Management	Global Equity	158,490	12.5%	170,288	12.4%
Insight Investments	Bonds	121,843	9.6%	130,138	9.4%
BlackRock	Alternatives	111,193	8.8%	121,389	8.8%
Aberdeen Property Investors	Property	79,507	6.3%	88,398	6.4%
Legal & General (BNY Mellon to 31/12/10)	Currency	1,631	0.1%	(1,399)	-0.1%
Total		1,267,910	100%	1,377,263	100%

7.7.7. TOP 10 HOLDINGS

Holding	Manager	£000's	% of Total
Unitised Insurance Policy	Legal & General	496,130	36.0%
BlackRock Multi-strategy Fund	BlackRock	18,919	1.4%
BlackRock DIV PEP IV App	BlackRock	16,495	1.2%
UK Treasury Gilt 4.5% 07/12/2042	Insight	14,090	1.0%
Instl Cash Series GBP Liq Fund	BlackRock	13,477	1.0%
BlackRock Global Horizons	BlackRock	11,411	0.8%
UK Treasury Gilt 4.25% 07/12/2027	Insight	11,009	0.8%
Anglo American Plc	Schroders/Newton	10,607	0.8%
UK Treasury Gilt 4.5% 09/2034	Insight	10,480	0.8%
Vodafone Group	Schroders	9,912	0.7%

7.7.8 INDIVIDUAL INVESTMENTS VALUED AT GREATER THAN 5% OF THE TOTAL SCHEME

The only individual investment with a market value greater than 5% of the fund value is the unitised insurance policy held with Legal and General.

7.8 INVESTMENT PERFORMANCE

Details of fund managers' performance for the year to 31st March 2011 are as follows (returns are shown gross of fees):

Manager	Asset Class	Portfolio Return %	Benchmark Return %	Excess Return %
Insight Investments	Fixed Interest	6.5	5.9	0.6
Aberdeen Property	Property Manager	11.8	10.7	1.1
Schroder Asset Management	UK Equity	11.4	8.7	2.7
BlackRock	Alternatives	5.7	0.7	5.0
GMO UK Limited	International Equity	7.9	8.2	-0.3
Newton	Global Equity	7.4	8.2	-0.8

Source: WM Company

Legal and General also manage around 36% of the funds assets on a passive basis, the mandate being to match various indices. Their investment funds have shown small positive deviations from the indices over the year to 31st March 2011.

The Pension Committee monitors fund managers' performance at its quarterly meetings. Current practice is for Fund managers to attend Committee meetings to present their reports at least twice yearly, and where performance is below the benchmark, the Pension Committee may require fund managers to attend all quarterly meetings to present their performance reports.

The Cumbria Fund's performance in the local authority league table of pension funds is as follows:

	One Year to 31st March 2011 %	3 Years to 31st March 2011 %	10 Years to 31st March 2011 %
Fund Return	8.0	5.3	5.7
Cumbria's own benchmark	7.7	6.3	5.6
WM Local Authority Universe return average	8.2	5.4	5.4
Ranking 1 to 100 in Local Authority Universe	51st	48th	17th

Source: WM Company

For this year, UK equity rose by 8.7% (FTSE All Share) and global equity by 8.2% (FTSE World); a much less significant increase than the previous

years of 52% and 47% respectively. Although there have been no massive gains this year, the majority of our asset classes have risen by just under or just over 10%, with longer term performance ahead of the benchmark. The poor long term performance of the bond manager, Insight Investments, led to the termination of their contract in April.

After allowing for the Cumbria Fund's slightly more defensive asset structure (which limits both the downside in falling markets and the upside in rising markets), the ongoing monitoring of the strategy has reinforced the drive to obtain extra value from all investment areas.

The Annual Report and Accounts gives full details of the Fund's performance, management structure and investment news.

7.9 The Firefighter's Pension Scheme Accounts

Table 1 – Firefighter's Pension Scheme Accounts 2010/11

2009/10			2010/11	
£000	£000		£000	£000
		FUND ACCOUNT		
		Contributions Receivable		
		From Employer		
(1,822)		Normal	(1,796)	
0		Early Retirements	0	
0		Additional	0	
(1,026)		From Members	(1,003)	
	(2,848)			(2,799)
		Transfers In		
(163)		Individual transfers in from other Schemes	0	
0		Other	0	
	(163)			0
	(3,011)	Total Income		(2,799)
		Benefits Payable		
2,670		Pensions	2,823	
1,420		Ill Health & Injury	1,419	
904		Lump Sums	827	
276		Lump Sum Death Benefits & Widows Pensions	275	
	5,270			5,344
		Payments to and on account of leavers		
0		Refund of contributions	0	
33		Individual transfers out to other Schemes	0	
0		Other	0	
	33			0
	5,303	Total Expenditure		5,344
	2,292	Net amount receivable/ (payable) before top-up from Government		2,545
	2,292	Top-up receivable/ (payable) from Government		2,545
	0	Net amount receivable/ (payable) for the year		0
		NET ASSETS STATEMENT		
		Current Assets		
0		Contributions due from employer		0
369		Pension top-up receivable from Government		922
368		Prepaid Pensions		387
		Current Liabilities		
0		Unpaid pension benefits		0
0		Pension top-up repayable to Government		0
(737)		Other current assets and liabilities		(1,309)
	0			0

Notes to the Firefighters' Pension Scheme Financial Statements

1. Basis of Preparation

The accounts have been prepared in accordance with the CIPFA Code of Practice on Local Council Accounting in the United Kingdom.

The financial statements summarise the transactions of the scheme and the net assets. They do not take account of obligations to pay pensions and benefits which fall due after the end of the scheme year.

2. Accounting Policies

The principal accounting policies are as follows:

Contributions

Contributions represent the total amounts receivable from the Council and the pensionable employees. The employer's contributions are made at the rates determined by the Government Actuaries Department, at a nationally applied

rate of 21.3% for the 1992 Firefighters' Pension Scheme and 11% for the 2006 Scheme. Also the Council will be required to make payments into the pension fund in respect of ill health retirements, when they are granted.

No provision is made in the accounts for employees' and employers' contributions relating to sums due on pay awards not yet settled.

Benefits and Refunds

Benefits and refunds are accounted for in the year in which they become due for payment.

Transfer Values

Transfer values are those sums paid to, or received from, other pension schemes and the Firefighters' Pension Scheme outside England, for individuals and relate to periods of previous pensionable employment.

Transfer values received and transfer values paid are accounted for on a receipts and payments basis.

3. Fund's Operation

Financial arrangements came into effect from 1 April 2006 for both the 1992 and the 2006 Firefighters' Pension Schemes. The financial arrangements had no impact on the terms and conditions of each scheme.

Both the Firefighters' Schemes are statutory, unfunded pension schemes. The benefits for both schemes are defined and guaranteed in law. Both schemes are contracted out of the State Second Pension (S2P) and must provide benefits at least as good as most members would have received had they been members of S2P. Benefits provided include a guaranteed pension based on final salary upon retirement and an option to commute pension in favour of a tax free lump sum.

Prior to 1 April 2006, the Council administered and paid firefighters' pensions on a "pay-as-you-go basis", which meant that employees' contributions were paid into the Council's operating accounts from which pension awards were made. Following the change in financial arrangements on 1 April 2006, the Council has continued to administer and pay firefighters' pensions, but this is now from a new separate local firefighters' pension fund. Employee contributions, new employer's contributions and transfer values received are paid into the pension fund from which pension payments and other benefits are paid. The fund is topped up Government grant if the contributions are insufficient to meet the cost of pension payments. Any surplus in the fund is recouped by Government. Therefore the fund is balanced to nil each year by receipt of pension top-up grant or by paying the surplus back to Central Government. The underlying principle is that the employer and employee contributions together will meet the full cost of pension liabilities being accrued in respect of currently serving employees while Central Government will meet the costs of retirement pensions in payment, net of employee and employer contributions.

The fund has no investment assets.

SECTION 8 – AUDITOR’S REPORT

To be added at the conclusion of the audit.

SECTION 9 – GLOSSARY OF TERMS

Accounting Policies

The policies, concepts and conventions used in the preparation of the accounts.

Accruals

Sums included in the accounts to cover income and expenditure attributable to the accounting period, but for which payment has not been received or made by 31st March.

Actuarial Gains and losses

Employees of the County Council are members of defined benefit pension schemes. Actuarial gains and losses arise because events have not coincided with actuarial assumptions made in the previous valuation or because the actuarial assumptions have changed.

Agency Services

Services that are performed by or for another Authority or Public Body, where the principal, the authority responsible for the service, reimburses the agent, the authority carrying out the work, for the cost of the work carried out.

Area Based Grant

A non ring fenced general grant with no conditions on use imposed as part of the grant determination ensuring full local control over how funding can be used.

Best Value Accounting Code of Practice (BVACOP)

This code of practice details standard definitions of services and total cost to enable spending comparisons to be made with other local authorities.

Budget

A statement of the Council's policy expressed in financial terms. This includes both revenue and capital.

Capital Adjustment Account

The opening balance on this account represents the total of the Fixed Asset Restatement Accounts and the Capital Financing Accounts which were replaced at 1st April 2007. From 2007/08 the movements on the Capital Adjustment Account reflects the financing of capital expenditure from revenue and capital resources together with the reversal of amounts included in the Comprehensive Income and Expenditure Account but required by statute to be excluded when determining the movement on the General Fund Balance for the year.

Capital Expenditure

Expenditure on the acquisition of a fixed asset or expenditure which adds to and not merely maintains the service potential or value of an existing fixed asset.

Capital Financing Costs

The costs of financing fixed assets, being the interest costs of external loans and monies used to repay debt.

Capital Receipts

Income received from the sale of fixed assets. Capital receipts can only be used to repay outstanding debt on fixed assets or finance capital expenditure within rules set by government. Capital receipts however, cannot be used to finance revenue expenditure.

Cash Equivalent

Cash equivalents are investments that mature within 3 months of the date of acquisition and have no penalties for early redemption. For the County Council this will include only money market deposits of less than 3 month duration.

Central Support Services

These are services provided by the central departments of the County Council in respect of finance, personnel, legal, administration, communications, procurement, policy and property.

Contingent Asset

A contingent asset is a possible asset which could arise following the occurrence of a future event outside the County Council's control.

Contingent Liability

A contingent liability is a possible liability which could arise following the occurrence of a future event outside the County Council's control or is a present obligation where it is not possible to measure the outcome with sufficient reliability.

Component Accounting

In some cases there are significant elements of an asset that will not last as long as the rest of the asset e.g, a flat roof of a building in comparison to the life of the rest of the building. Where there is more than one significant part of the same asset which have the same useful life and depreciation method, such parts may be grouped in determining the depreciation charge. In practice this can be achieved by only separately accounting for significant components that have different useful lives and/or depreciation methods.

Council Tax Precept

A property based tax that is set by the County Council and administered by District, Borough and Unitary Councils, alongside the share of Council Tax levied by other Local Authorities in Cumbria.

Contingent Liability

A potential liability at the balance sheet date, the outcome of which is uncertain, as it is dependent on a future event.

Corporate and Democratic Core

Comprises all activities which local authorities engage in specifically because they are elected, multi-purpose authorities. The cost of these activities are thus over and above that would be incurred by a series of independent, single purpose nominated bodies managing the same service. There is no logical basis for apportioning these costs to services.

Creditors

Amounts owed by the County Council for work done, goods received or services provided, but for which payment has not been made by the 31st March.

Current Assets / Liabilities

Assets and/ or Liabilities that are likely to be realised within 12 months of the balance sheet date.

Curtailment

Within the defined benefit schemes impacting on the financial results of the County Council, curtailment will arise if an event occurs reducing the expected future service of employees. Normally, this arises from redundancy or early retirement or if there is an amendment to terms impacting on current employees.

Debtors

Debtors represent amounts due to the County Council which are unpaid at 31st March.

Defined Benefit Scheme

Defined benefit pension schemes prescribe the amounts members will receive as a pension regardless of contributions and investment performance. Employers are obliged to fund any shortfalls.

Depreciation

Depreciation is the fall in value of an asset, as recorded in the financial records, due to wear and tear, age and obsolescence.

Depreciated Replacement Cost

The method employed in valuing land and buildings where a market value basis is not readily available.

Expected Rate of Return on Pensions Assets

The expected rate of return on pensions' assets is the average return expected during the remaining period of pension obligations.

Employee Benefit Accrual

Accrual calculated to take account of annual leave, flexi time and Time off in Lieu (TOIL) that has not been taken by staff by the 31 March 2011. This is included in the cost of service for that financial year.

Fair Value

Fair Value is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction. In some circumstances this can be at existing use value and for others market value

Finance Leases

This is where substantially all the risks and rewards incidental to ownership of the asset transfer from the leasing company to the County Council. Annual payments are a combination of interest and the purchase of the asset.

Formula Grant

Central government provides funding to local authorities through a grant known as Formula Grant, made up of Revenue Support Grant and Re-distributed Business Rates, in support of its general revenue expenditure.

Fixed Assets

Fixed assets are tangible assets (i.e. assets with physical substance) intended to be used during more than one period.

General Fund

The account that summarises the revenue costs of providing services that are met by the Council's demand on collection fund, government grants and other income. The balance is difference between the total of income over expenditure over the year.

Heritage Assets

Heritage assets are tangible assets with historical, artistic, scientific, technological or environmental qualities that are held and maintained by the County Council principally for their contribution to knowledge and culture. This includes archives, paintings and civic regalia.

Impairment

A reduction in value of a fixed asset below its carrying amount in the balance sheet. Examples would include loss in value due to physical damage or decline in market value due to a general fall in prices.

Imprest Account

Petty Cash Accounts used for small items of expenditure.

Intangible Assets

Intangible assets are assets without physical substance such as software, licences etc.

Inventories

Assets that are held as stock as part of the delivery of services by the County Council.

LATS – Landfill Allowance Trading Scheme

A 'cap and trade' scheme between Waste Disposal Authorities designed to reduce the overall amount of biodegradable municipal waste disposed of in landfill sites.

LOBO - Lender Option Borrower Option

A financial instrument which is typically very long-term - for example 40 to 60 years. The initial interest rate is fixed, but the lender has the option to nominate a revised rate at periodic reset dates. The reset dates are nominated at the time the loan is taken out. The borrower has the 'option' to either accept the new imposed fixed rate or repay the loan facility.

Minimum Revenue Provision

The amount set aside to repay external debt related to capital expenditure.

National Non-Domestic Rates

A tax collected locally by District Councils from commercial undertakings and paid to Central Government. It is then redistributed to county, unitary, borough and district councils on the basis of the resident population.

Net Current Replacement Cost

The cost of replacing an asset in its existing condition and existing use

Non Current Assets / Liabilities

Assets and/ or Liabilities that are likely to be realised after 12 months of the balance sheet date.

Non-Operational Assets

These are fixed assets held by the County Council which are not specifically used in the provision of services. Normally, this applies to investment properties or properties held for resale.

Operational Assets

These are fixed assets held by the County Council required to support the provision of services.

Operating Leases

This is where the rewards and risks of ownership of the asset remain with the leasing company and the annual rental is charged directly to the Comprehensive Income & Expenditure Account.

Outturn

Actual Income and Expenditure for a financial year.

Past Service Costs

Where pension scheme members receive enhanced or new benefits, the increase in the present value of future liabilities will be accounted for as past service costs.

Property, Plant and Equipment (PPE)

PPE are tangible assets (i.e. assets with physical substance) that are held for use in the production or supply of goods and services, for rental to others, or for administrative purposes, and expected to be used during more than one period.

Provisions

These are sums set aside to meet liabilities or losses that are likely to be or will be incurred, but the dates on which they will arise are not fully known at the date that the Statement of Accounts is approved.

Reserves

Amounts set aside to meet the cost of specific future expenditure. Earmarked reserves are set aside to meet revenue or capital needs in the future. The level of general fund (revenue) reserves is considered in relation to the risks and uncertainties facing the Council when it is setting its annual budget.

Revenue Contributions to Capital Expenditure

The amount of capital expenditure financed directly from the annual revenue budget.

Revenue Expenditure Funded From Capital Under Statute

Expenditure incurred that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset is charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year.

Revenue Support Grant (RSG)

A general Central Government grant paid to the County Council in support of annual revenue expenditure.

The “Code”

The Code of Practice on Local Council Accounting in the UK 2010/11. It is the first Code that is based on International Financial Reporting Standards. The Code specifies the principles and practices of accounting required to give a ‘true and fair’ view of the financial position and transactions of the Local Council.